MARKETING & MEDIA Decisions

SPRING 1982 • $3.00
SPECIAL ISSUE

Apple • Atari • Budweiser
Camel • Honda • Levi's
Lean Cuisine • McDonald's
Merrill Lynch • Mobil
New York Travel
Radio Shack • Softsoap
Sunkist Soda
Tylenol

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15 TOP
MARKETING
SUCCESSES
1981

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CONGRESSIONAL INF SVC
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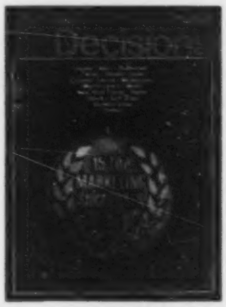


CONTENTS

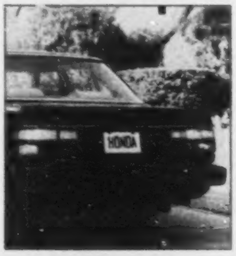
15 TOP MARKETING SUCCESSES · 1981

Alcoholic beverages • Budweiser
Getting to the top in a fiercely competitive market is difficult enough, but staying there over the long haul is even harder. Anheuser-Busch's Budweiser beer has managed to beat back the Miller challenge.

PAGE
21

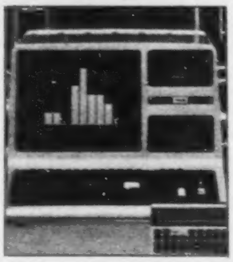
Apparel • Levi Strauss & Company
Diversification was the name of the game in 1981 for the west-coast-based apparel giant. Levi Strauss added more stylish clothing lines for men, women and children to its traditional jeans and work clothing.

PAGE
33



Automotive • Honda Motor Company
Honda's meteoric rise in the import auto market has been fueled by a reputation for reliability and economy. This fall, the battle for market share really gets underway, when Honda begins assembling cars in the U.S.

PAGE
51



Chains • Radio Shack
The Radio Shack home electronics chain could best be described as Tandy's do-it-yourself division. The company manufactures and distributes most of the products it sells, giving the company marketing autonomy and a huge competitive edge.

PAGE
69

(Continued on page 8)

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CONTENTS

(from 4)

Computers • Apple Computer
In six years, Apple Computer has grown from a small personal computer operation to a $335 million, publicly-held corporation. In 1981, Apple's name awareness increased from 10% to 80%.

PAGE **77**

Corporate • Mobil Oil
No corporate or advocacy campaign has generated as much controversy or media coverage as that of Mobil Oil. The campaign, brainchild of vp-public affairs Herb Schmertz, is executed by a team of in-house writers.

PAGE **87**

Finance • Merrill Lynch
The stockbroker that brought Wall Street to Main Street is transforming itself into a virtual department store of financial services. Merrill Lynch does it with network tv, national print and newspapers.

PAGE **99**

Franchising • McDonald's
McDonald's market domination is awesome: some six percent of all away-from-home meals are consumed under the golden arches. This promises to be the toughest decade yet, but McDonald's is ready.

PAGE **111**

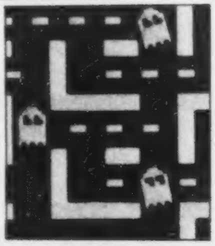
Health & Beauty Aids • Softsoap
Bob Taylor created the market for pump-dispensed sink soap in 1980 with Softsoap, and in 1981 stayed ahead of a pack of formidable, competitive imitators such as Procter & Gamble and Armour-Dial.

PAGE **123**

(Continued on page 12)

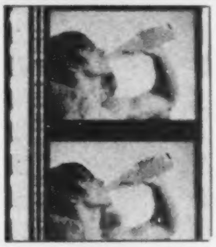
CONTENTS

(from 8)



Household appliances • Atari
The company's name comes from a term in the Japanese game "Go." In 1981, Atari did just that, with near total domination of the video game market.

PAGE **133**



Soft Drinks • Sunkist Orange Soda
Massive consumer recognition of the Sunkist brand name — along with a strong dose of marketing courage — gave General Cinema a big leg up in its orange soda introduction.

PAGE **149**

FILET OF FISH FLORENTINE
Lean Cuisine

Packaged foods • Lean Cuisine
Stouffer's 300-calorie dishes captured 10% of the frozen food entree market last year before the product's national roll-out had been completed.

PAGE **157**

EXTRA-STRENGTH TYLENOL
REGULAR STRENGTH TYLENOL

Pharmaceuticals • Tylenol
Through steady building of its marketing base, MacNeil Consumer Products has established Tylenol as the generic term for non-aspirin pain relief.

PAGE **167**

Tobacco • Camel cigarettes
1981 was a year of furious activity at R. J. Reynolds, where the Camel brand was restaged. The results: 24% growth, compared with a 1% industry average.

PAGE **173**

Travel • New York State Travel
Beneath the glitter of "I Love New York" are sales results as solid as bedrock, all due to a blend of creative coups and daring marketing.

PAGE **189**

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INTRODUCTION

This extra issue of Decisions is, we believe, extra special.

The 15 case histories reported here in depth were picked with the help of our readers as the most outstanding marketing successes of 1981 in the 15 industries that use the heaviest amounts of national media.

Our criterion for success was either a brand or corporation that has increased share of market, successfully introduced a new product, recouped position in spite of tough competition, or succeeded in accomplishing some other marketing objective.

We accept responsibility for the naming of these marketing winners — although our choices are guided by a questionnaire sent to 6,500 readers — and by discussions with securities managers, our own editors and other knowledgeable sources.

The reports were prepared by *Decisions* editors, one former staffer, plus a couple of writer-reporters new to these pages. For the most part, we got unusual cooperation from the winning companies — and where we didn't, our reporters found ways to uncover the marketing and media strategies and tactics in which our interests lie.

Recession talk apparently was no deterrent to the aggressive and entrepreneurial marketing men responsible for activities described in this issue. In some cases, they turned the economic slow-down to their advantage, or moved in where competitors feared to tread. When boom times return, the brands covered in this issue will be so well entrenched that it will cost competitors a pretty penny to catch up with them.

We can't help but ask the question: If in each of 15 businesses at least one advertiser was able to move ahead, can those who didn't blame their poor showing on an economic lull?

The winning marketers are both large and small. Only five are part of organizations in the Fortune 500 list of largest industrial corporations. Included is Mobil Oil, number two on the *Fortune* list. Also among the winners are Honda (relatively small but moving up fast in the automotive market), Softsoap (from Minnetonka Inc., the company that found a way to sell soap that caught Procter & Gamble nap-

INTRODUCTION

ping), Sunkist Growers of California and General Cinema (albeit making good use of a very well-established brand name). Size is not a requisite for marketing success.

Ad budgets varied from $1.5 million to $138 million. Media strategies were diverse, including important use of all major media: magazines, newspapers, tv, radio, outdoor, business press and direct mail.

Packaging was a most significant factor in several instances. The nature of the packages often had a bearing on types of media used. And some of these marketers looked on the package as vital to positioning on shelves in stores, use of the products at home, pricing — as well as positioning the brand as compatible to consumer lifestyles.

Perhaps the most dramatic package "change" was Camel cigarettes' switch back to its original picture of a camel for its Camel Light and filter varieties. The package for Tylenol gets credit for helping separate the product from pain relievers on pharmaceutical shelves also stocking aspirin. The packages for Softsoap and ShowerMate established a whole new category in the health and beauty section of supermarkets.

Full-service ad agencies played a role in the successes of 13 of the brands, but two of our marketers developed plans in-house, and one combined in-house and agency planning.

Three agencies appear in the success stories of more than one brand: Needham, Harper & Steers and D'Arcy MacManus & Masius for Budweiser and Honda; Foote, Cone & Belding for Levi Strauss and Sunkist Orange Soda; Doyle Dane Bernbach for Mobil and Atari.

Other agencies that share a "partnership" role are: Chiat/Day for Apple Computer; Young & Rubicam for Merrill Lynch; Leo Burnett for McDonald's; Creamer for Lean Cuisine; Compton for Tylenol; BBDO for Camel; Wells Rich Greene for New York State travel. Agencies that played a role, but not the dominant one, for the brands covered were: McCann-Erickson and Ketchum.

The two do-it-yourselfers were Radio Shack and Softsoap, with the latter using Cash Plus, Inc., Minneapolis, to handle media buying.

Headquarters of this group of successful marketers are spread across the U.S. Three are in New York City: Mobil, Merrill Lynch and N.Y. State travel.

Four are on the West Coast, all four in California: Levi's in San Francisco, Honda in Gardena, Apple in Cupertino, Atari in Sunnyvale.

Budweiser is St. Louis based, while McDonald's is in Chicago, Radio Shack in Ft. Worth, Sunkist Orange Soda in Atlanta, Ga.

INTRODUCTION

Softsoap is outside Minneapolis in Minnetonka, Minnesota; Lean Cusine is at Stouffer headquarters in Solon, Ohio; Tylenol comes out of McNeil Labs in Ft. Washington, Pa.; Camel is an R. J. Reynolds brand, managed from Winston-Salem, North Carolina.

Categories and brands

CATEGORY	BRAND	HEADQUARTERS	AGENCY
Alcoholic Beverages	Bud	St. Louis	NH&S and D'Arcy
Apparel	Levi's	San Francisco	Foote, Cone & Belding
Automotive	Honda	Gardena, CA	Needham, Harper & Steers
Chains	Radio Shack	Ft. Worth	In-house
Computers	Apple	Cupertino, CA	Chiat/Day
Corporate	Mobil	N.Y. City	Doyle Dane Bernbach
Financial	Merrill Lynch	N.Y. City	Young & Rubicam
Franchising	McDonald's	Chicago	Leo Burnett
Health & Beauty	Softsoap	Minnetonka, MN	In-house
Household Appliances	Atari	Sunnyvale, CA	Doyle Dane Bernbach
Packaged Foods	Lean Cuisine	Solon, OH	Creamer
Pharmaceuticals	Tylenol	Ft. Washington, PA	Compton
Soft Drinks	Sunkist Soda	Atlanta, GA	Foote, Cone & Belding
Tobacco	Camel	Winston-Salem	BBDO & in-house
Travel	N.Y. State	N.Y. City	Wells, Rich, Greene

New products surface as prominent among the brands chosen as marketing successes of 1981. The common thread among the new names is the extent to which they tap consumer desires that had not been previously satisfied. Softsoap, for example, offered a solution to the messiness that can be left behind by traditional bar soap in the bathroom. Atari took the lure of electronic games out of the penny arcade and delivered it to grown-ups and families at home. Lean Cuisine put diet meals right into the frozen food cabinet in supermarkets. Sunkist Orange Soda found a gap to fill in the soft drink market.

The men and women who developed these products did their homework diligently before taking the plunge: they studied the gaps they intended to fill very carefully, developed clear profiles of the markets in which they saw opportunities, then advertised and promoted very directly to those target markets.

Several old names were nominated as being especially successful in 1981. These are companies that have been able to change with the times — and more than meet new competition head-on. Budweiser, Levi Strauss, Merrill Lynch, McDonald's, Camel are some of the prime examples.

Some of the old pros found new opportunities by diversifying. Levi Strauss has diversified its business along market lines, finding its biggest potential in women's wear, while still maintaining its image for tough, straight-legged jeanswear for working men and women. Merrill Lynch has become a financial supermarket, using tv to spread its image far and wide, and print ads to target specific financial products to very specialized audiences. Minnetonka Labs had no sooner got its soap dispenser firmly established at the bathroom sink than it moved into the shower with Shower-Mate. Camel added Camel Lights, Camel Kings, Camel 100's and Camel Filters.

Spin-offs of existing product lines are noticeable in these successes, including several of the brands mentioned above.

Anheuser-Busch waited to spin-off a Bud Light until 1981. The company felt the competition from Miller Lite, noted the poor performance of several other light entries (Schlitz was a notable example), and then successfully rolled out its Light.

Apple Computer had trouble with its Apple III personal computer, pulled it off the market, then came back strong with an improved product and head-on advertising and marketing strategies.

Sunkist Orange Soda is obviously trading on the years and years of advertising of Sunkist fresh fruits. Lean Cuisine entered the market as an extension of the Stouffer line of frozen food entrees. Tylenol rolled out Extra Strength and Children's variations of its Regular Tylenol in several different sizes.

Corporate image is affected by the way each of these companies advertise, but most are product advertising programs — and the objective in almost every case is to sell goods and services. The exception is Mobil, which has become a presenter of paid editorials — with what amounts to an editorial page staff reporting to Herb Schmertz, vp-public relations.

Merrill Lynch is mindful of the extent to which its symbolic bull overlays the product advertising of its divisions — even its real estate business. The Levi's brand name has been put on some divisional lines, not on

INTRODUCTION

others. Honda has avoided diversification — staying with three cars, all under the Honda banner.

Decision makers behind each brand are entrepreneurial marketing pros. In each case several people in the company and in the advertising agencies used were instrumental in their success. The top-line names are Mike Roarty, Hal Spielberg, Cliff Schmeillen, Bernard Appel, Steve Jobs, Herb Schmertz, Jim Walsh, Fred Turner, Bob Taylor, Ray Kassar, Barbara Krouse, Joe Cheisa, Mark Stevens, John Shostack, Natel Matschulat.

Media allocations of the success marketers of 1981 were approximately as follows — based on LNA/BAR, Media Records, RER reports, and information added by *Decisions* researchers. Not included are some important investments in direct mail, co-op and business publications because of lack of uniformity in expenditure reports. These are reasonable estimates of major consumer media budget breaks in 1981.

	Magazines & supps	Newspapers	Net tv	Spot tv	Radio	Outdoor
Bud	2%	1%	41%	17%	36%	3%
Levi's	14	3	37	20	25	1
Honda	32	15	36	17	—	—
Radio Shack	8	—	89	3	—	—
Apple	45	3	7	27	18	—
Mobil	25	35	—	39	—	1
Merrill Lynch	17	—	80	3	—	—
McDonald's	—	—	86	—	8	6
Softsoap	3	—	76	9	—	12
Atari	12	5	68	13	2	—
Lean Cuisine	12	20	—	68	—	—
Tylenol	7	—	88	5	—	—
Sunkist Soda	—	1	9	89	—	1
Camel	26	43	—	—	—	31
N.Y. Travel	13	9	7	65	6	—

Most outstanding factor in budgeting practice of this group is extent of variation. Although tv dominates many budgets, print media get majority of dollars in three cases. Outdoor is very big in one instance. Newspapers is largest medium for two advertisers (and this tabulation does not take into account extent of newspapers in co-op budgets). Radio got 6% or more of dollars in five budgets.

ALCOHOLIC BEVERAGES

15 TOP MARKETING SUCCESSES 1981

Budweiser's "must win" attitude

BUDWEISER GIRL

BUD

Mike Roarty, director marketing, Anheuser-Busch

Needham Harper & Steers

"They're smart. They do good planning. More significantly, their attitude is that they're going to win." That's how an industry consultant sums up the phenomenal ability of Budweiser to stay on top in a fiercely competitive marketplace. Add to that $82 million in major media.

Budweiser, the flagship brand of beer baron August A. Busch III, celebrates its centennial birthday this year.

Positioned by Anheuser-Busch as "the king of beers," the first beer to become a national brand has plenty to be pleased about. Even if it weren't a 100th anniversary, the brand would have one of the most phenomenal share growth records in any industry to celebrate.

Getting to the top in a competitive package goods market is a difficult matter — ask any company that's done it. Staying there over a period of time is even harder. Just ask R. J. Reynolds about Winston, and Philip Morris about Marlboro cigarettes (but not about Miller beer). Continuing to build share and dominance over a category from the share leadership position is little short of astonishing.

And that's what Anheuser-Busch has done with Budweiser in a fiercely competitive product category. As recently as 1975, Miller Brewing was publicly announcing its goal of supplanting Budweiser with Miller High Life as brand share leader. But since then the gap has widened rather than narrowed in spite of massive advertising expenditures and a successful repositioning of High Life as a blue collar brew.

The figures compiled by *Impact*, Marvin Shanken's spirits industry newsletter, documents the performance. A strike in 1976 put a crimp in A-B's barrelage, but otherwise it was a period of unparalleled expansion. In 1977, Budweiser had a 15.7% share of the U.S. beer market, with 25.4 million barrels brewed.

In 1978, the share edged up to 16.1% with 27.2 million barrels. The share climbed to 17.3% in 1979 with 30 million barrels brewed, and in 1980, marched ahead again to 19.1% with 34 million barrels. Share and barrelage for 1981 are estimated at 19.5% with 36 million barrels.

Budweiser also showed remarkable strength in its first two years as a licensed brew in Canada, achieving a 5.7% share. Observers indicated the norm for a new domestic brand in Canada would be in the 2% share range.

Emanuel Goldman, securities analyst at Sandford C. Bernstein & Co., places Budweiser's output in 1981 at 38.2 million barrels, two million higher than *Impact's* estimate, and also credits the company with solid management acumen. With the threat from Philip Morris' Miller, Goldman said, "Anheuser was forced to become a better company. Nobody is going to knock them out of the box."

Robert S. Weinberg, an industry consultant and one time A-B executive remarked, "They're smart. They do good planning. More significantly, their attitude is that they are going to win."

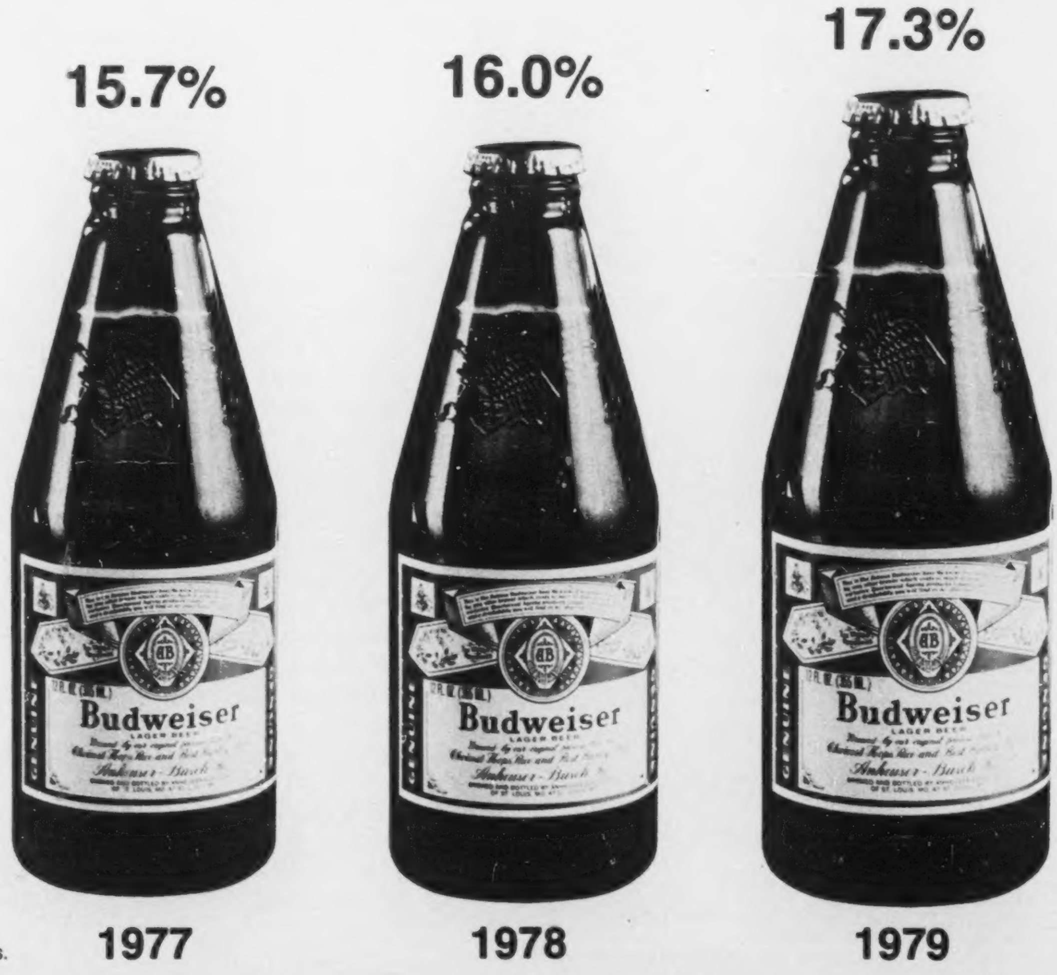
To build this dramatic growth performance, Budweiser had to maintain penetration in strong markets while building awareness and sales in areas where other national or local brands were dominant. That meant taking sales away from Coors in the Northwest, and from the ailing but still formidable Schlitz in the South and Southwest.

When asked to what he attributes the strength and long-term leadership of the brand, president and ceo August Busch III replied tersely, "quality."

But there's much more to the success story than that.

Budweiser has run up a number of firsts in advertising, making impressive early use of outdoor advertising, and a neon spectacular, which depicted the A-B eagle in flight, above Manhattan's Times Square.

Budweiser share of U.S. beer sales



Sources:
Impact newsletter,
Decisions estimates.

In 1950, Budweiser became the first beer to sponsor a network program in a then-fledgling medium, television. Budweiser put the *Ken Murray Variety Show* on the then-51-station CBS network. The result was a rate of sales growth for the brand where the show aired double that of markets where it wasn't seen.

And on the other side of the coin, Budweiser was one of the first advertisers to study the effect of advertising saturation, to discover at what point additional advertising has a negative, rather than positive effect on sales.

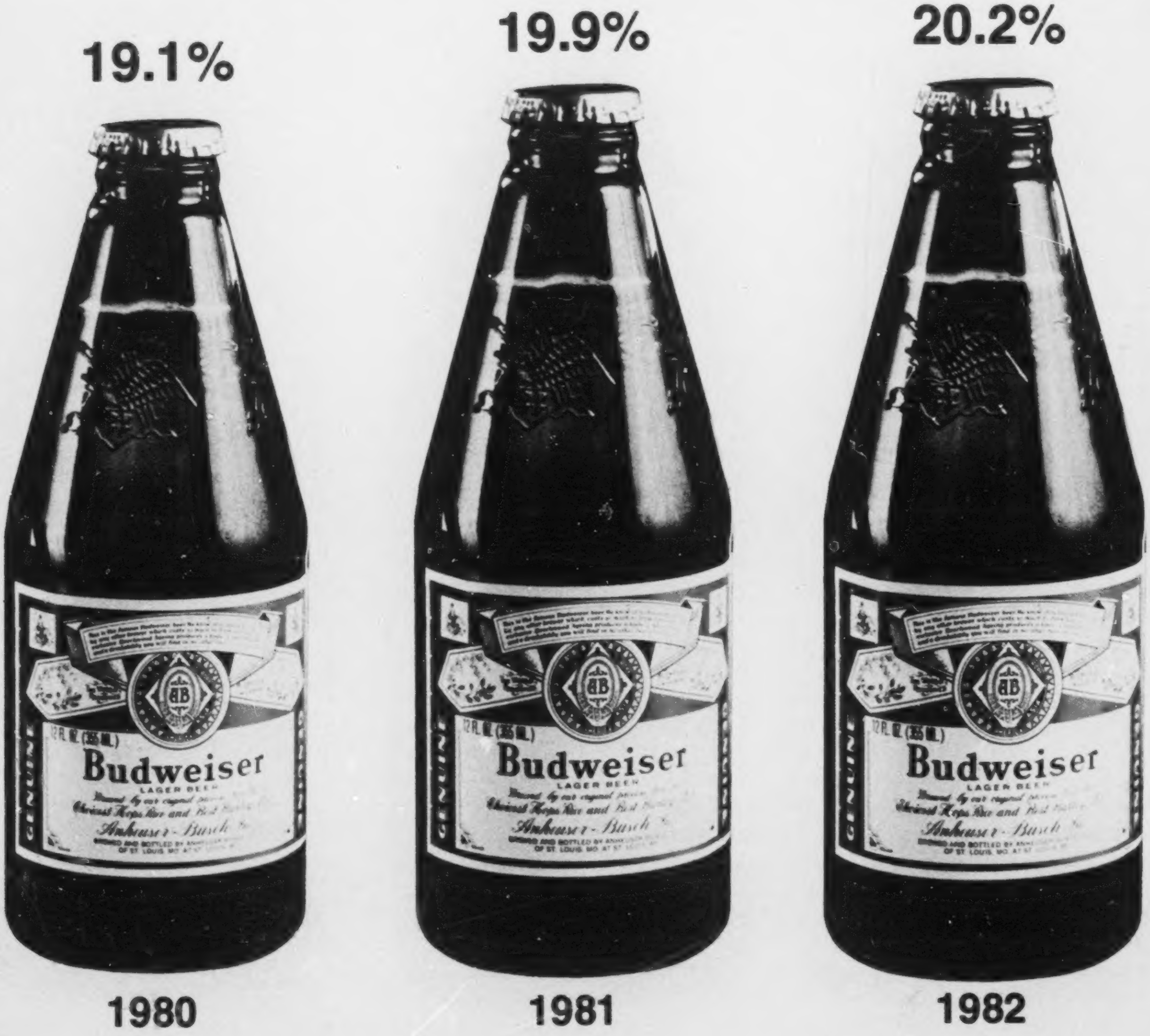
Budweiser was also in the forefront of promotional activity, which made the brand label a work of pop art for framing, covering books, decorating swimming pool floors and sailboat spinnakers, to extend brand and trade mark recognition well beyond the media and the store shelf.

With all this marketing and promotional activity, Budweiser has managed to keep its momentum without the usual recourse of companies seeking to extend their brand franchise, the brand spin-off. While Miller Lite did open a new beer category and expand Miller's market, others who entered light beer spin-offs didn't do so well. Schlitz had a disastrous experience — within a few years the brand nearly disappeared from the marketplace.

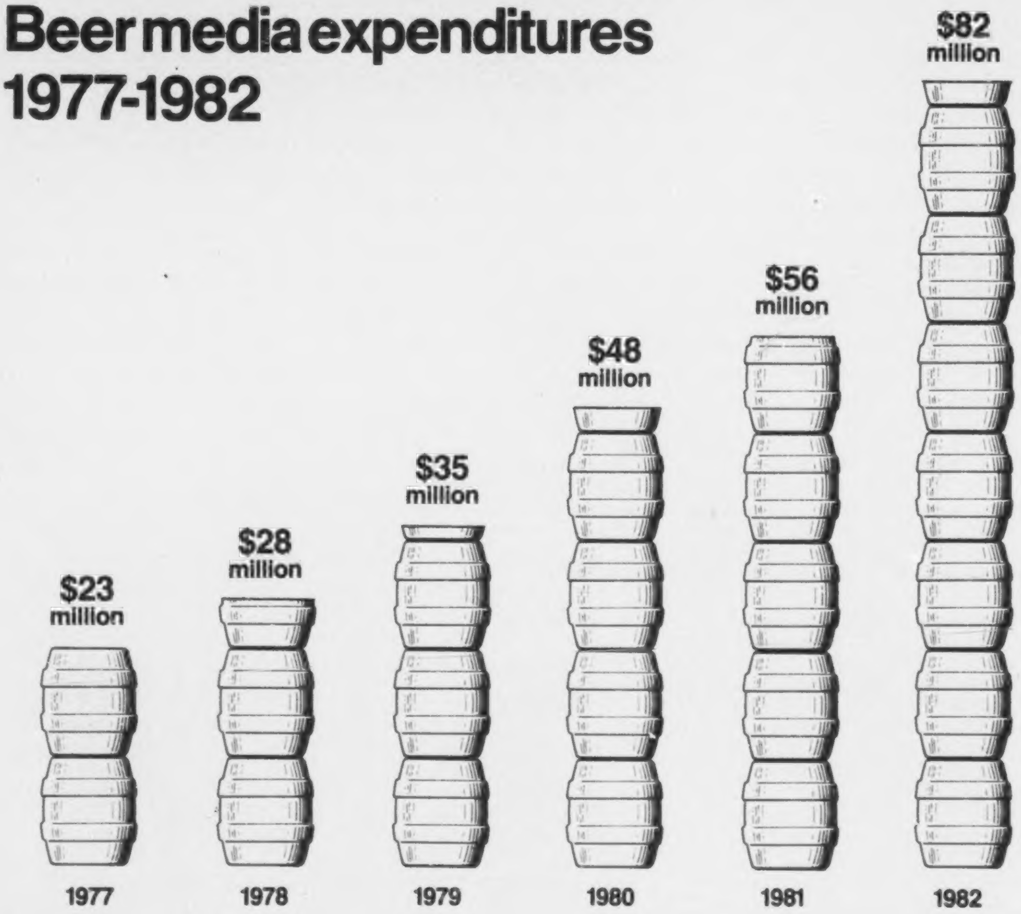
But in 1981, after considerable thought and preparation, A-B did venture in that direction with test market trials for Budweiser Light. A-B evaluated the results and began a national rollout in March, which is expected to be complete by the end of June. The third light beer from A-B is priced between the premium Michelob, and the popular-priced Natural Light.

Budweiser Light's roll-out is getting the usual lavish creative and media treatment in advertising, adding to A-B's spending dominance in the category.

Some observers may contend that Budweiser has spent its way to the top. In 1980, Budweiser dominated beer advertising with an eight media total of



Beer media expenditures 1977-1982



Sources: LNA/BAR; RER; Media Records; Decisions estimates.

$48,932,000, as measured by Leading National Advertisers, Media Records and Radio Expenditure Reports. Miller, in second place in market share and media expenditures, spent $42,774,000, according to the same sources.

Budweiser and Miller have used similar strategies in media and creative. Both are heavy users of network television, particularly in sports. There is hardly a play-off game in any national sport in which both brands don't have a strong presence in television and radio play-by-play coverage.

Creatively, both appeal strongly to a blue collar audience — Budweiser declaring "This Bud's for you," while Miller extolls the after-work break that it calls "Miller Time."

When Budweiser came up with the "For all you do, this Bud's for you" campaign in 1979, High Life was apparently gaining in momentum and in a position to co-opt the blue collar psychographic. Miller was positioned to establish itself as the beer that working blokes invariably turn to after a tough, sweaty day on the docks, in the commercial fishing boat or in the iron foundry.

But Budweiser broadened its theme to include a wide variety of working lifestyles, such as commercial artists, disc jockeys, ski instructors and helicopter pilots.

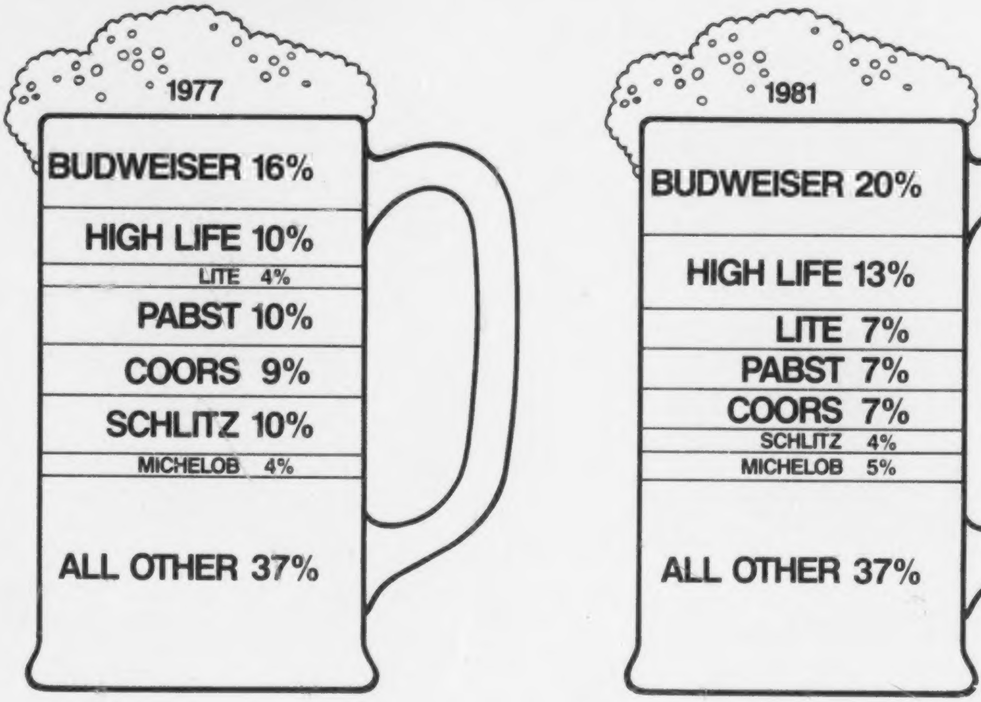
From that point on Budweiser was unstoppable. Sales momentum expanded vastly in 1979 and 1980, slipping slightly in 1981, but still building share. Apparently the campaign — with a quality product to rest upon — had the desired effect. Budweiser was able to reposition itself as just as much a blue collar brew as High Life, without limiting itself to that demographic marketing definition. The campaign proved to be mass marketing at its best.

Association with professional sports events also played a large role in snowballing the Budweiser marketing magic. Hardly a sporting event went by on radio or television without a Budweiser commercial, while lesser brands scrambled for adjacencies.

It is against this successful background that Budweiser is making its next move in the fastest growing segment of the brewing business.

The major marketing effort this year at Anheuser Busch will be the national roll-out of Budweiser Light. The nation's largest brewery has been hesitant to commit the Budweiser name to a product with an uncertain chance for

Market share of leading brands 1977 vs. 1981



Source: "Impact" data bank

success. And the light beer segment has had its casualties. Miller grabbed off most of the category sales, and A-B's two current light entries, Natural and Michelob Light, hold 17% of the light category, a distant second to Light from Miller, with 60%.

Budweiser Light has been in test in nine metro areas since May 1981. The testing areas provided a southwestern measure of response to the new product and included Charlotte, N.C., Mobile-Pensacola; Little Rock; Dallas-Fort Worth; San Antonio; Waco; Amarillo; Tucson; and Omaha.

Said chairman August A. Busch III, when announcing the national roll-out; "The test market results convinced us that Anheuser-Busch can capture a much larger share of the light beer market with Budweiser Light, with business coming from competition, not the company's existing product line."

He also noted that the light beer category is the industry's fastest growing segment, with sales increasing almost 14% in 1981. Additionally, four currently available brands represent about 88% of all sales. The criterion for buying a light beer, he believes, is taste.

"All of these considerations make us confident of the potential for Budweiser Light," he said.

The theme for the Budweiser Light advertising campaign is "Bring out your best," which A-B thinks will work as a challenge to consumers as well as a statement about the product. Busch claims that — just as light beer drinkers strive to bring out the best in themselves in whatever they do — Anhueser-Busch is bringing out the best tasting premium light beer of them all.

Introductory tv spots featured a single Clydesdale horse running free, symbolic of the origin and heritage of the brand. Later executions will depict competitive situations in popular sports. In later sustaining executions, the solo Clydesdale will be used as a reminder symbol. The campaign was created by Needham, Harper & Steers, Chicago.

Budweiser Light contains 108 calories per 12-ounce serving, about one third less calories than regular Budweiser.

In packaging, the familiar regular Budweiser graphics have been adapted; the name is set in dark blue and contrasts against a silver lustre background.

The question is: will Budweiser Light win drinkers away from Miller and Coors? The demographics show reason for optimism: light beer drinkers tend to fall into the 25 to 49 year age range, the fastest growing popula-

Early in tv, Budweiser sponsored *Ken Murray Variety Hour,* complete with giant bottle of beer. Today's tv counterpart is heavy spending on sports. Television has been base medium, however, for a lot of years.

tion segment. Moreover, the light beer drinker is more likely to be white collar and have more formal education than his or her regular beer counterpart. Men account for 70% of light beer sales volume, but women represent 50% of the segment's drinkers numerically — consuming 30% of the total volume. The question: how to get women to have more than one or two beers?

Research also shows light beer drinkers are much less likely to be black, but just as likely to be hispanic as their regular beer counterparts.

Light beers are expected to show strong growth through the 1980s, and should grow at an average rate of 10% during the first half of this decade.

The schedule includes introduction of Budweiser Light in 37 states, primarily in the North and Southeast, by the end of March, with national distribution nominally expected by the end of June, but possibly later. The balance of the country will be added, according to Busch, "as soon as man-

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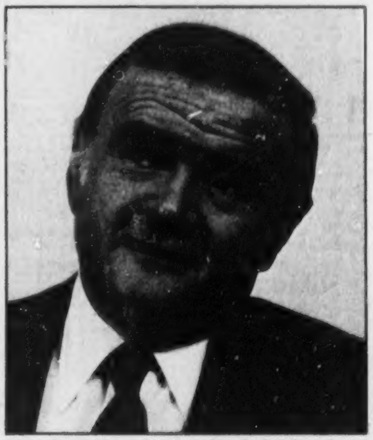
PLAYBOY INDUSTRY VIEW: MICHAEL J. ROARTY

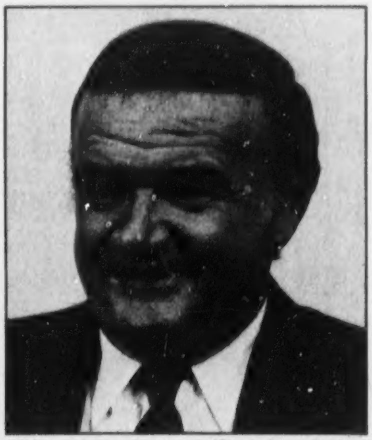
comments on marketing beer, from the v.p. of marketing, anheuser-busch, inc.

PHOTOGRAPHY BY JAMES VISSER

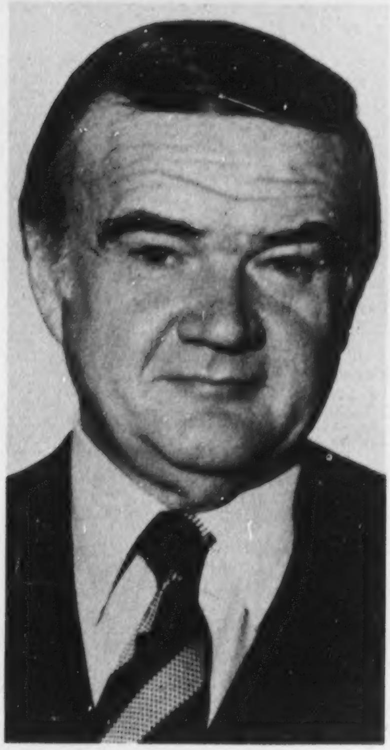
"In beer marketing, the name of the game is reaching the male consumer. Seventy percent of all beer is consumed by about 20 percent of the population, and it's male dominated."



"Product segmentation has helped us keep, and build, the lead we've enjoyed for more than 25 years. Certain magazines can play a key role when you have five nationally marketed brands."



"We practice what we call 'total marketing.' That includes advertising, merchandising, sales promotion, field sales and much emphasis on 'grass roots' presence in local markets."



Mike Roarty, director of marketing, Anheuser Busch

Charles Fruit, vp-media coordination, Anheuser Busch

power, brewing capacity and media efficiency permit.''

With the addition of Budweiser Light, the brand will amass enormous advertising expenditures. In media measured by Leading National Advertisers, the Budweiser name will annually account for about $60 million, and when spot radio, newspapers, cable, point of purchase and promotion are added, the total will go well over $100 million.

Media strategy for Budweiser in recent years has emphasized a media mix, which runs contrary to general industry practices. The choice of a mix can partially be attributed to sufficient media funds, a luxury some brewers can't afford, but also to choice in how to allocate funds strategically to dominate the media used by beer drinkers.

Naturally, Budweiser has had a strong commitment to network television, spending about 51% of funds in that medium last year. About 26% was spent in spot television, 10% in spot radio, 6% in network radio, 4% in outdoor and about 2% in magazines. The traditional approach has been to cluster buying power in network and spot television, while neglecting most other media except spot radio.

In September of 1978, when Anheuser-Busch director of marketing Michael J. Roarty was *Decisions'* Guest Editor, he discussed the brewer's decision to expand brewing capacity and how that would affect marketing. A capacity of 51 million gallons was planned for 1981, which is now being expanded to 60 million barrels. Said Roarty in 1978: ''To sell that volume we are in the process of effecting the most aggressive and comprehensive marketing program in the history of the industry.

''To implement this marketing program the company retained its traditional brand manager approach, but developed its in-house beer marketing skills with the talents of new people brought in from packaged goods advertisers in other markets.''

Roarty further explained: ''Media purchases are one of the most important parts of the marketing mix, and usually the largest part of our marketing expenditures. Therefore, Anhueser-Busch prepares very detailed plans for media use and is constantly evaluating strategies in this area.''

Today, Roarty believes it was precisely this approach that is responsible for the unparalleled expansion of sales since 1978. Specifically, he says, ''It is a combination of the new creative, 'This Bud's for you,' and our new products. The creative concept, combined with our strong emphasis on sports, on tv, and radio in our grass roots approach in local sports, have been responsible for the continued growth of Budweiser.''

As for the importance of any one medium, he says, ''Television has been very prominent in this period.''

The growth of the brand, he says, has been most phenomenal in the Far West and the East. Back at the start of 1978, he said that A-B corporate sales in California accounted for about 21% of the market. By the start of 1982, the share had climbed to 46%. Budweiser, he adds, is mostly responsible for that remarkable spurt of growth.

A-B's share in the metro New York market stood at about 17% in 1978, and climbed to 35% by the start of 1982 — again, mostly accounted for by the sales growth of Budweiser.

PLAYBOY: When it comes to marketing beer, PLAYBOY *is* the market. Twenty-seven percent of all men who drink domestic beer read PLAYBOY. That's more coverage of the primary male market than you get in Time, Newsweek, Sports Illustrated or any magazine edited primarily for men.

PLAYBOY reaches men when they're relaxed and thinking about life's pleasures. And PLAYBOY works beyond the pages of the magazine to help you build a "grass roots" presence, with merchandising programs, sales promotions and marketing to young adults.

In fact, PLAYBOY dominates nearly every male-dominated market. When it comes to reaching men, the name of the game is PLAYBOY.

The Playboy reader.
His lust is for life.

Source: MRI, Fall 1981. © 1982 by Playboy.

Budweiser
LIGHT
BEER

On car cards and outdoor, famous Clydesdale horses are now symbolized by a horse running free.

In the West, the principal loser in sales to Bud was Coors, Roarty says, and in New York, Schlitz and Schaeffer.

With the expanded emphasis on local sports, more money was placed in spot television, but it wasn't a desire to use spot, *per se,* Charles Fruit, vp-media coordinator, explains. In 1981-1982, Budweiser added six local sports sponsorships, including the New York Yankees, the Knicks and the Rangers, in the metro area.

With a powerful performance from its creative, provided by D'Arcy MacManus & Masius, Roarty says the brand is continuing with its "This Bud's for you" theme. "We like that theme and we think there's a lot of room for expansion with it" he says.

Sales growth in 1982 will be in the 8% to 9% range for Budweiser.

The projections for Budweiser Light are, by comparison, restrained. "We won't overwhelm the market in the first year," he says. "This is a long-term program; we're not wild-eyed and hopeful, but we think we are in a good position." While Roarty won't put a numerical value on those expectations, he says A-B expects the brand to do as well nationally as it did in test market.

Roarty says the company is pleased with the new campaign for Budweiser Light, and credits Needham, Harper & Steers creative director David Lamb and Chicago office president Keith Reinhard with developing the execution.

In addition to being in broadcast media, the brand will also be seen on cable, on ESPN and on Black Entertainment Television, with which A-B recently signed a multi-year, multi-million dollar contract. The decision to develop a strong involvement in cable is both for the present and future. Charles Fruit commented, "We're positioning ourselves to be there when cable really blooms."

Fred Gardner

Seagram's VO

It's in VOGUE®
The book women live by.

APPAREL

15 TOP
MARKETING
SUCCESSES
1981

The cowboy who became a lady

Target market for Levi Strauss has broadened out considerably in the last few years from cowboy style jeans and work clothes to more stylish apparel for men, women and children. In order to manage this expansion, the company restructured itself along market lines. Its use of advertising has also become diversified as explained in this interview with Hal Spielberg. Ad investments worldwide: $80,000,000.

LEVI'S

Hal Spielberg, vp-USA marketing

Foote Cone & Belding/Honig
McCann-Erickson
Ketchum San Francisco

Levi Strauss & Company has in the last few years without much fan fare become the genial giant of the apparel business. It still hasn't shed its macho cowboy image in jeans wear, but in 1980-81 Levi's diversification became the talk of the trade.

It moved up in net sales from $432 million in 1971 to what looks like a $3 billion year in 1982. Although it has effectively automated its manufacturing, distribution and data processing arms, number of employees has moved up from 21,400 in 1971 to close to 50,000. Advertising expenditures in the U.S. have grown to over $60 mil-

Harold G. Spielberg came to Levi Strauss USA as vice-president-marketing in July 1980.

He is responsible for the apparel maker's domestic advertising and sales promotion programs and advertising agency relationships for multi-divisional projects. He also provides counsel on significant consumer marketing issues.

Hal was vice president-general manager of Colony Wine Company from 1977 to 1980 and a member of the board of directors of United Vintners, its parent company. From 1972 to 1977 he was executive vice president-marketing with the Gillette company in Mexico.

He has a master's degree in business from Ohio State University. He and his wife and children live in Walnut Creek, California.

lion in 1982. Total advertising investments worldwide now run over $80 million a year.

A sprawling complex of office buildings to house Levi Stauss headquarters has just been completed at Two. Embarcadero Center in downtown San Francisco. Levi Plaza stamps the company as one of the truly dominant industries on the West Coast. Perhaps prophetically, Levi's new "Working Man" tv commercial shows a powerful giant pounding the company logo into American-made products. The commercial reaffirms that the Levi giant is dedicated to serving the working man — as well as woman — with such sturdy apparel as its famous jeans.

The makers of Levi's keep a relatively low profile. They discourage their advertising agencies from talking to the press. But Hal Spielberg, vp-USA marketing, agreed to answer the questions about marketing organization and operations that follow.

Decisions: Levi Strauss & Co. by the mid 1970's had decided to launch an extensive expansion program, adding to but still maintaining its reputation as manufacturer of quality work clothes for American men. How is the company organized to manage its expanded activities in 1982?

Hal Spielberg: Levi's marketing in the United States is organized by division. Our Jeanswear, Womenwear, Menswear and Youthwear divisions each have a marketing services director. He has, reporting to him, an advertising manager and marketing research manager.

The marketing divisions each have their own national sales manager.

These divisions are positioned within two groups. Group One includes Jeanswear, Menswear, Activewear, Resistol Hats, Accessories. Group Two embraces Womenswear, Youthwear and Koret of North America. (See box on page 36 for further detail)

Decisions: What are the channels of distribution?

Spielberg: The company's major channels are department stores, pants stores, specialty stores and two national store chains.

Decisions: Who are the key decision makers for marketing?

Spielberg: Each division has its own advertising and promotional programs. The director of marketing services approves the divisions' advertising and promotional programs.

Decisions: What marketing support services exist within Levi Strauss & Co.?

Spielberg: USA Marketing is responsible for advertising and promotional programs of all divisions and pan-divisional activities. For example, we have a major promotional investment in the 1984 Olympics that crosses divisional lines.

We also oversee the company's relationships with three advertising agencies: Foote Cone & Belding/Honig, which handles most of the divisional and corporate advertising campaigns; McCann-Erickson, which handles Activewear; Botsford Ketchum on Koret. All of them are located in San Francisco.

The Fabric and Product Reseach & Development operation is in Greensboro, N.C. It services all of our domestic divisions and reports to USA Marketing. The R&D unit is marketing oriented. It focuses on developing apparel to suit the consumer's wants and needs.

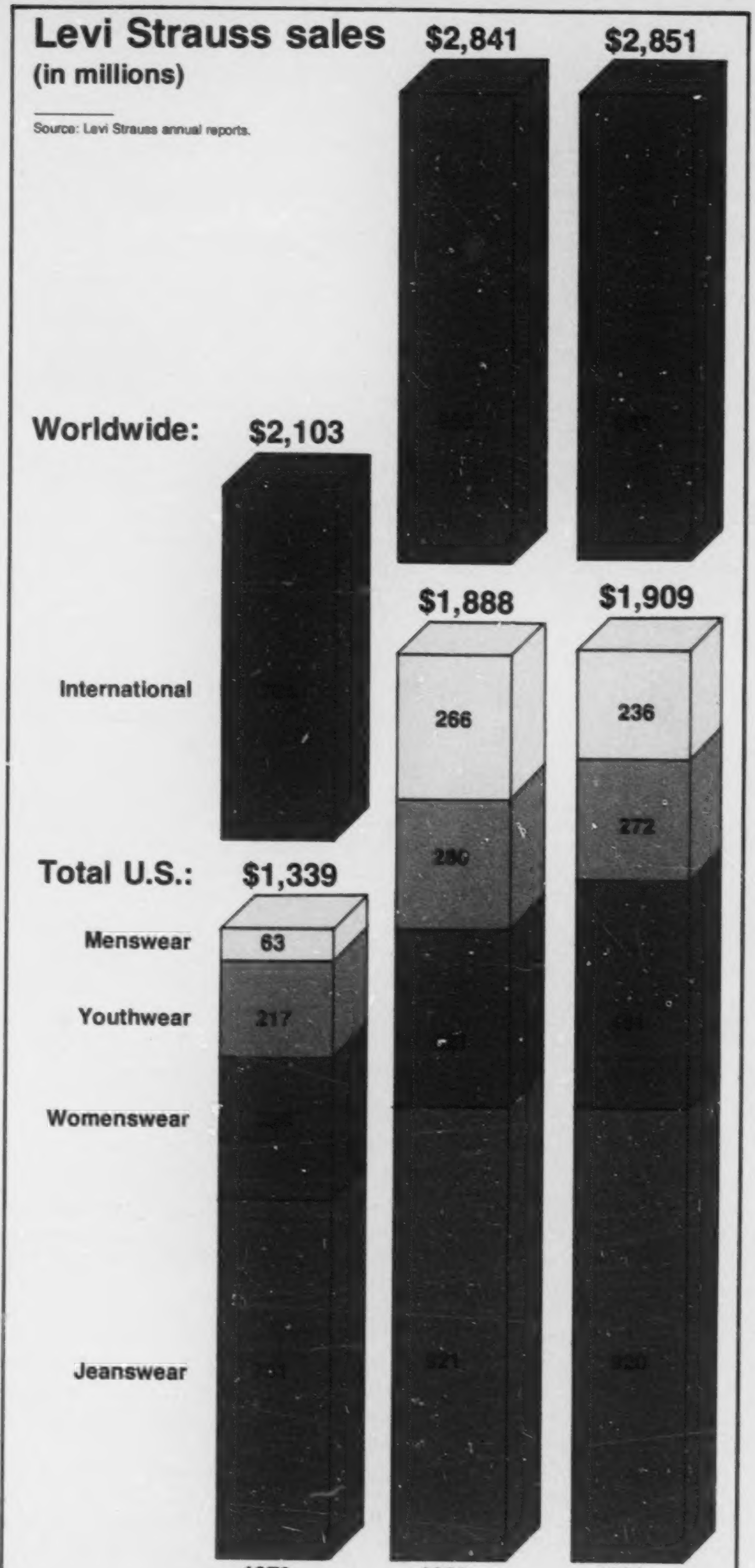
Product publicity and public relations support is provided by the corporation's communications department.

Corporate Marketing Research handles multi-divisional projects — like monitoring consumer purchases, initiating brand tracking studies, conducting advertising research in conjunction with each division.

We do not have a centralized sales promotion group. This is all done by our divisional people or by USA Marketing for promotions that span several divisions. The advertising agencies help in the execution of all of these programs.

The three full-service advertising agencies are most important in all of this work. They help us execute all promotional programs, create point-of-sale materials, posters, etc.

At the agencies, senior executives are in charge. At Foote Cone & Belding/Honig, for example, the key person responsible for our account is a


Levi Strauss sales (in millions)

Source: Levi Strauss annual reports.

senior vice president and group management supervisor. Account supervisors handle the activities of each of the divisions.

Decisions: What are the target markets?

Spielberg: Men, women and children ranging in age from 4 to 60 all use Levi Strauss products. Although the best known product is the Levi's denim jean, a broad diversification effort has been ongoing the past few years. The Levi's label is now found on apparel to suit almost any lifestyle.

Denim and corduroy jeans for men, women and children are aimed at people who enjoy casual lifestyles.

Professional men are the target au-

The many markets of Levi Strauss

The Jeanswear Division markets the original bread-and-butter product, regular jeans. It is the largest and most profitable division — straight leg, functional Levi's which are so well known around the world that the company has to constantly remind people the name is trade-marked — not a generic word. Levi's went along with the craze for fashion jeans that became a fad in the late 1970's (See *Decisions,* September 1979, page 68, "Fancy Pants"). But it chose to keep its distance from skin tight, form-fitting women's jeans. Levi's competed with the likes of Jordache, Sasson and Calvin Klein by emphasizing that its products continued to be straight-legged. This division also expanded into western-wear pants, vests, blazers and shirts — and gave both men and women the option of stretch fabrics in its jeans lines.

The Youthwear Division specializes in all product categories, scaled down to fit teen-aged girls, junior boys and toddlers.

The Resistol Division was developed at Levi Strauss after it acquired Koracorp Industries, the world's largest source of brand-name western and dress hats. The brand name Resistol was retained on the western hats, with demand virtually exploding in the 1980's — to such a degree that a new $4.2 million plant in Weslaco, Texas, to make straw models was authorized. Resistol experienced additional sales gains in 1981.

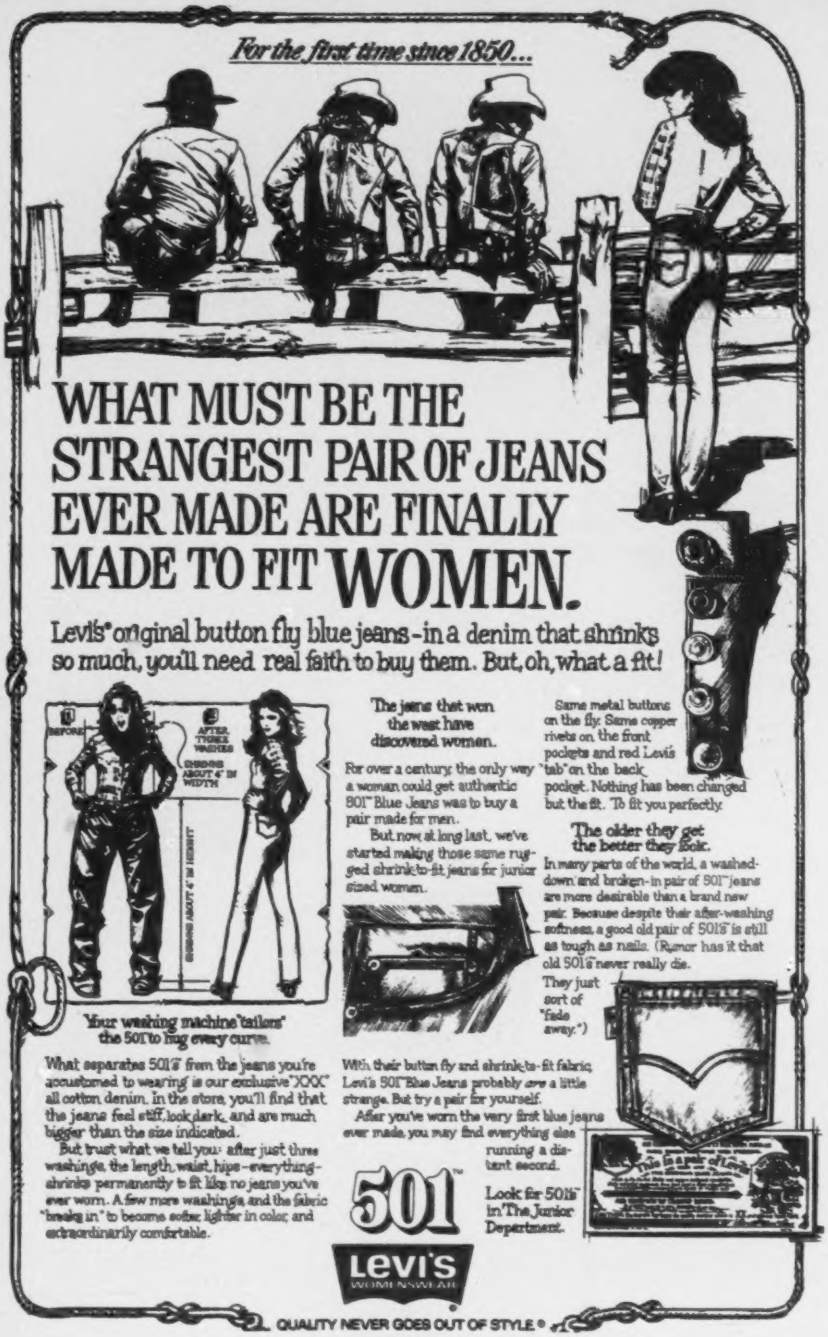
Koret of North America also became a division through the Koracorp Industries acquisition. This division makes moderately priced women's skirts, blouses, sweaters, jackets. It includes a separate line for large sizes.

The Womenswear Division distributes women's jeans — plus slacks, skirts, blouses, and dresses in four markets that Levi Strauss finds have unique requirements: juniors, misses, young misses and large sizes. Growth in recent years has been most explosive in women's wear, a total market place more than twice the size of men's clothing, Levi's traditional bailiwick. Womenswear sales climbed 14% in 1981 to a total of $481 million. A new product introduced in 1981 was the women's 501 line, a denim jean retaining features of the men's line but constructed to fit women.

The Menswear Division embraces both sportswear and more formal attire. It has had considerable success with an action line of tailored-for-men slacks, jackets and suits cut from stretch-type fabrics. The slacks were first introduced in 1979; a Tailored Classics line of suit separates was introduced in the fall of 1981. Included are machine-washable garments. Also added through acquisition in 1981 was Santon's, a sport and suit coat contractor.

The Activewear Division was added in 1979 to carry Levi Strauss into the markets for sports participation attire — skiing, racquetball, jogging, other active outerwear. It added a new avenue of distribution for the company, sporting goods outlets. But in 1980 it suffered from cancellation of U.S. participation in the Moscow Olympic Games. Promotion of the new line had been planned around the Olympics, and that had to be reoriented to local Olympic-caliber sports in the United States. Levi Strauss has stayed with its support of the U.S. Olympics, with a renewal of extra promotional activity this year and into 1983 and 1984.

The Accessories Division is another expansion market, including women's and men's belts, wallets, casual hats, gloves. Some of these are still in the test marketing stage, but an extensive line of belt styles (western, fabric, basic and classic) are in broad distribution.


BEFORE
AFTER THREE WASHES
SHRINKS ABOUT 4" IN WIDTH
SHRINKS ABOUT 4" IN HEIGHT

For the first time since 1850...

WHAT MUST BE THE STRANGEST PAIR OF JEANS EVER MADE ARE FINALLY MADE TO FIT WOMEN.

Levi's® original button fly blue jeans - in a denim that shrinks so much, you'll need real faith to buy them. But, oh, what a fit!

Your washing machine "tailors" the 501™ to hug every curve.

What separates 501's™ from the jeans you're accustomed to wearing is our exclusive "XXX" all cotton denim. In the store, you'll find that the jeans feel stiff, look dark, and are much bigger than the size indicated.

But trust what we tell you: after just three washings, the length, waist, hips - everything - shrinks permanently to fit like no jeans you've ever worn. A few more washings, and the fabric "breaks in" to become softer, lighter in color, and extraordinarily comfortable.

The jeans that won the west have discovered women.

For over a century, the only way a woman could get authentic 501™ Blue Jeans was to buy a pair made for men.

But now, at long last, we've started making those same rugged shrink-to-fit jeans for junior sized women.

Same metal buttons on the fly. Same copper rivets on the front pockets and red Levi's "tab" on the back pocket. Nothing has been changed but the fit. To fit you perfectly.

The older they get the better they look.

In many parts of the world, a washed-down and broken-in pair of 501™ jeans are more desirable than a brand new pair. Because despite their after-washing softness, a good old pair of 501's™ is still as tough as nails. (Rumor has it that old 501's™ never really die. They just sort of "fade away.")

With their button fly and shrink-to-fit fabric, Levi's 501™ Blue Jeans probably *are* a little strange. But try a pair for yourself.

After you've worn the very first blue jeans ever made, you may find everything else running a distant second.

Look for 501's™ in The Junior Department.

501™

LEVI'S WOMENSWEAR

QUALITY NEVER GOES OUT OF STYLE®

Levi's made news in newspaper ads like this page in New York *Times* by announcing its shrink-to-fit, denim jeans for women.

dience for menswear Action suits and Tailored Classic blazers and slacks.

In womenswear, products range from casual to dressy — and age level and sizes vary from misses to juniors, and from petite to large.

Youthwear products in girls and boys sizes are appropriate to back-to-school, play and dress-up.

Personal sports participants are the target for Activewear — skiers, tennis buffs, joggers, the rugged, general outdoorsperson.

Decisions: Is timing important in your advertising? Are there any promotional periods?

Spielberg: Yes, there are several promotion periods. The key periods and promotions are back-to-school, holiday, spring and fall. These apply pretty much in all lines, although different items will be featured at different times of year — and back-to-school is obviously centered on Youthwear Division lines.

Decisions: How does all this affect media usage?

Spielberg: Jeanswear and Menswear use television, print and radio.

Womenswear focuses mostly on national tv and national print.

Youthwear utilizes television exclusively.

Decisions: What is the rationale for using the different media?

Competitive national media budgets — 1980

	Levi's	Wrangler	Lee	Jordache	Gloria Vanderbilt	Calvin Klein	Haggar	Bon Jour
Magazines	$ 4,200,000	$ 528,000	$ 882,000	$ 845,000	$ 918,000	$1,008,000	$ 335,000	$ 110,000
Radio	5,700,000	1,078,000	258,000	57,000	941,000	—	28,000	—
Natl. Newsp.	290,000	42,000	163,000	866,000	89,000	135,000	13,000	43,000
Television	18,800,000	6,183,000	2,714,000	7,797,000	7,597,000	2,819,000	2,162,000	4,843,000
Total	**$28,990,000**	**$7,831,000**	**$4,017.000**	**$9,565,000**	**$9,545,000**	**$3,962,000**	**$2,538,000**	**$4,996,000**

Sources: LNA/BAR; RER; Media Records. Co-op (mostly newspaper) not available.

Levi's
Levi's
Levi's
JEANSWEAR
QUALITY NEVER GOES OUT OF STYLE

He's the working man…

forging dreams with fire…

building, moving mountains, always reaching higher.

…all together.

He wears Levi's® jeans.

'Cause he knows…we still build the Levi's jeans…

that helped build…

America.

(Hammer Blow)

Storyboard for jeanswear commercial shows the genial giant from Levi's putting his stamp on American-made products. During period of diversification, the company wants to make sure American men realize it is staying with work clothes for men as well as expanding into women's and children's apparel. It also emphasizes that Levi's continues to manufacture in the U.S., while some competitors are going overseas.

Spielberg: Media selection is based in general on the budget available for a brand and market, the target audience and the type of message to be conveyed. For example, Movin' On jeans are targeted at a young audience, so we use radio exclusively. However for regular denim jeans, television of a kind that will reach working men is the base medium.

Decisions: What is your split in ad dollars by major media?
Spielberg: In consumer media, approximately 65% of the dollars will go into television, 25% into print and 10% into radio.

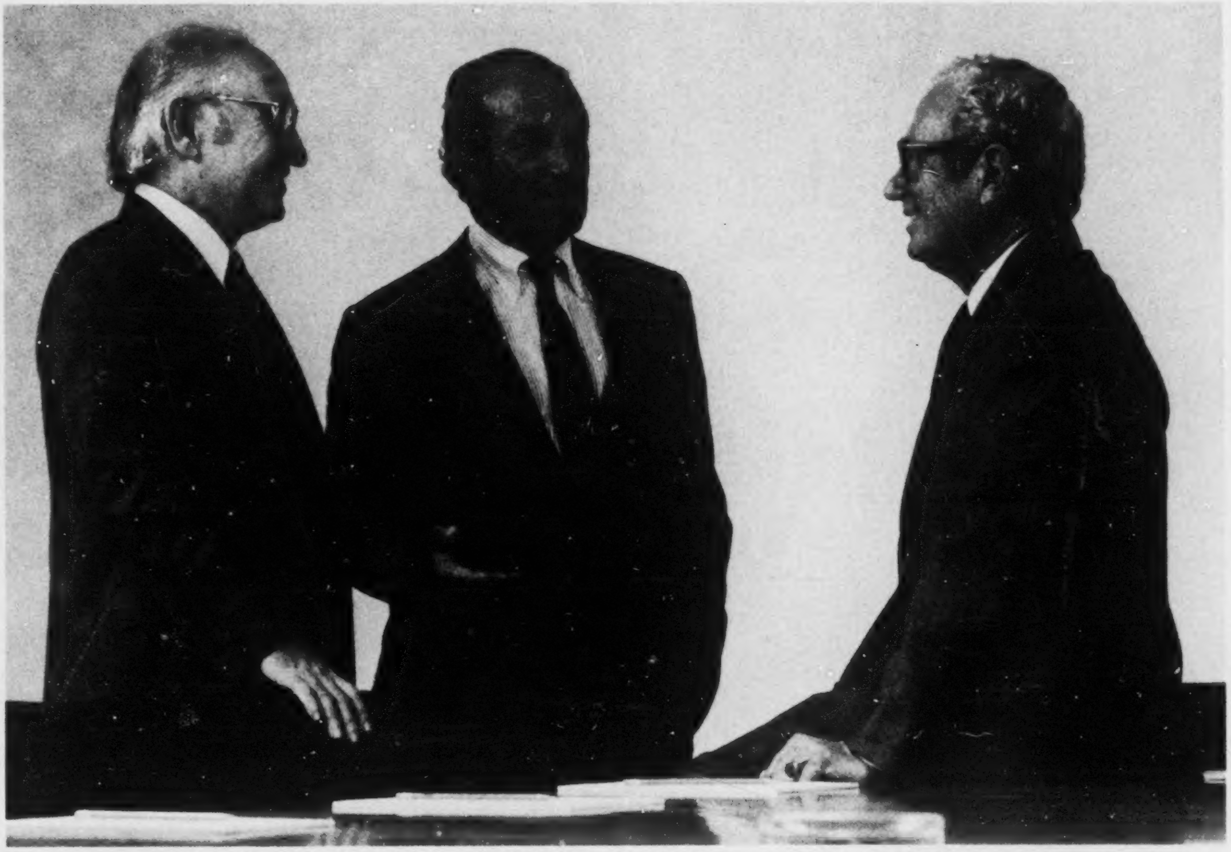
Decisions: Do you have any pooled media events?
Spielberg: Yes. Our principal telecast is of the National Sports Festival, which stems from our being a sponsor of the U.S. Olympic Committee. On this telecast we use commercials for products for several divisions. We will use the 1984 Olympics, which will reach almost every home in America, to showcase products from all divisions.

Decisions: Do you have a corporate advertising program in addition to the campaigns for each division?
Spielberg: Not at present. However, because we are a major sponsor of the U.S. Olympic Team and will be a sponsor of the 1984 Olympic Summer Games in Los Angeles, we are developing an extensive advertising and retail promotional program which will begin in 1983 and extend into 1984. During the current year (1982) all of our consumer advertising will be handled by the divisions. Their focus will be on specific products.

Decisions: It's our understanding that co-op advertising in newspapers is a very important element in your total promotion program. Who administers the co-op?

Spielberg: Each division has a coordinator responsible for co-op advertising administration.

Decisions: Do you use trade advertising?
Spielberg: Yes. Again, this is done by divisions. And they use the trade publications primarily to announce new products.



Top management at Levi Strauss (left to right): Robert T. Grohman, president and chief executive officer; Peter E. Haas, chairman of the board; Walter A. Hass, Jr., who just retired as chairman of the board.

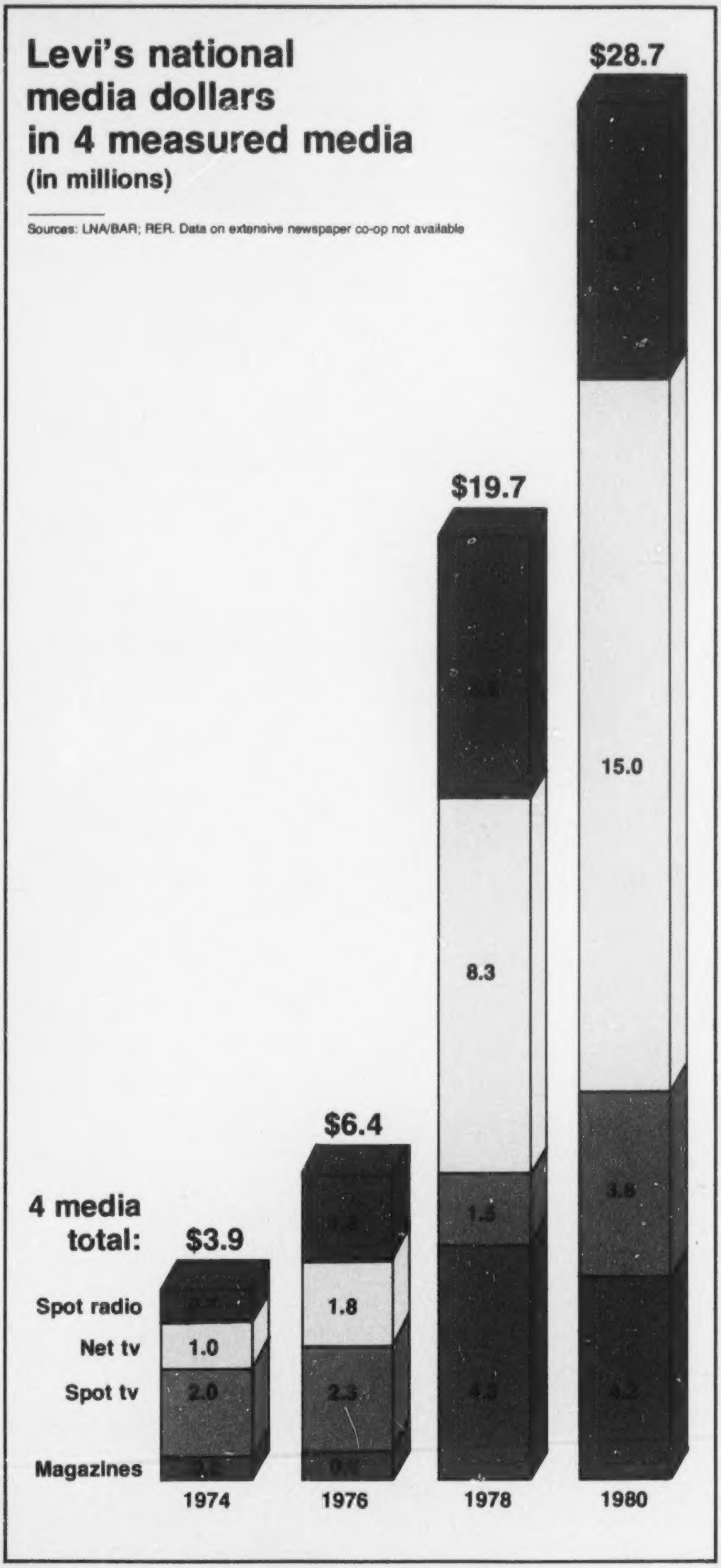
Decisions: Where do your best advertising ideas come from?
Spielberg: To formulate basic strategies our marketing units and advertising agencies use segmentation studies. Foote Cone & Belding/Honig is noted for developing extremely efffective and impactful consumer advertising. They are committed to producing high quality commercials, and that's what we need to reflect the high quality of our products.

FCB/H is on the leading edge here on the West Coast of creative innovations. They have been very effective in using the fanciful "alteration of reality" creative technique for many of our brands. Our impact scores have been well above all Mapes and Ross testing norms.

Decisions: Are there other ways you measure results from marketing and advertising?
Spielberg: In the apparel business, unlike packaged goods businesses, there are not many good services — such as Nielsen Market Data — to measure over-the-counter retail movement. Therefore, our criteria are primarily based on shipments to major accounts. We also use brand awareness studies and brand share monitors obtained through purchase data from consumers represented in our national consumer panel.

Decisions: Do you have a timetable for setting marketing plans for the year?
Spielberg: Annual business plan development starts in July for the following fiscal year, which begins in December. All divisions develop their plans according to the same timetable for ultimate approval by the office of the president. Long-term planning is, of course, ongoing — as in the case of our Olympics sponsorship.

Decisions: In recent years Levi's has licensed its brand name to manufacturers in other fields. Is advertising of licensees controlled by Levi Strauss?
Spielberg: In the U.S., Brown Shoe Company markets Levi's shoes and boots; and Kayser-Roth (licensed by Burlington in 1981) markets Levi's socks. Quality standards for licensed products are established by Levi



Levi's national media dollars in 4 measured media (in millions)

Sources: LNA/BAR; RER. Data on extensive newspaper co-op not available

Strauss & Co.— and all licensee advertising must also be approved by the company.

Decisions: Are the markets you are in still growing?

Spielberg: Demographics in the United States are shifting, and population growth has slowed down. Our approach to growth is to penetrate existing markets further and to enter new markets.

Decisions: Who do you consider your major competitors?

Spielberg: In jeans, there are Wrangler and Lee, along with major national chain store brands. In menswear, there are Haggar and Farrah and the national chains. In the highly fragmented women's markets, we compete with Jantzen, Lady Wrangler, Calvin Klein, Bobbie Brooks, Gloria Vanderbilt, Ship 'N Shore, Lady Arrow and the chains. In youthwear, there is Billy the Kid, Carters, Health Tex, Garanimals, Lee, Britannia, Sedgefield, Wrangler and the national chains.

Decisions: How do you seek to position yourselves in those markets?

Spielberg: As I mentioned earlier, we are focusing on market penetration.

Our products are available through a variety of channels, including department stores, specialty stores, jeans stores, and — as very recently announced — the national chains.

We continually introduce innovative products, and we support our efforts with heavy consumer advertising. This goes into major national media and also into co-op, point-of-purchase material, etc. In 1981, the U.S. total came to $49 million, in 1982 $60.5 million for all kinds of advertising.

We will continue to market a broad range of clothing for men, women and children to suit the varied lifestyles of American consumers. We are committed to marketing products which are comfortable, provide the consumer with good fit, and are of unmatched quality.

Levi's ad dollars

Media expenditures recorded by Leading National Advertisers, Broadcast Advertisers Reports, and Radio

Expenditure Reports show that the build-up in Levi Strauss advertising really got going in 1978. Total national media dollars in that year jumped from $6.4 million to $19.7 million. (See chart page 44).

That was when the company entered its expansion into diversified apparel manufacturing in earnest and shifted to a divisional operation for maximum exploitation of its expanding array of apparel lines. Realizing that its market was moving from almost entirely male to young people and women of all ages, it moved heavily into network tv and has been there ever since.

Levi's has continued strong in magazines, radio and spot tv; but the largest leaps have been in network tv because of the breadth of its total audience. Network tv expenditures moved up from $1 million in 1974 to $1.8 million in 1976; to $8.3 million in 1978, to $15 million in 1980. Through 1976, the company was using more spot tv than network; but from 1978 on, spot tv expenditures have trailed network tv, although at higher levels.

Spot radio has always been important to Levi's youth-oriented promotions. Since 1978 radio expenditures have been running over $5.6 million a year.

National print media (mostly magazines) have been getting strong support, as Levi Strauss has sought to pinpoint its advertising toward the sharp targets developed through diversification of its growing variety of apparel lines.

Newspapers are also a vital medium — and always have been — for Levi's, but that has traditionally been handled as the base medium for co-op activities, and there are no published figures on co-op.

The chart is based on data published by industry measuring services. It does not include the considerable investments made by Levi Strauss divisions in co-op, point-of-purchase materials, and in all media outside the U.S. Levi Strauss's annual reports show worldwide advertising expenditures as $67 million in 1979, $85 million in 1980 and $81 million in 1982. That represents 3% of worldwide sales in all three years. About 60% of worldwide advertising expenditures were in U.S. markets, which account for 67% of worldwide sales.

Chairman's view of 1981

Peter E. Haas, who became chairman of the board of Levi Strauss in 1981, went on record stating that sales in that year had moved up only "marginally," but emphasized points of strength as the company moves into another year when apparel sales may suffer from a retail slowdown.

Two problem areas that he emphasized in his annual report for 1981 were: (1) Extent to which retailers trimmed inventories because of high interest rates; and (2) losses stemming from adjustments in exchange rates in the considerable overseas business of the company. Strong points that he cited were:

- Expanded distribution channels through two national chains — J.C. Penney and Sears Roebuck.
- New product leadership — specifically the addition of the Action line of men's casual garments; introduction

We're Kelo-land tv. Our No. 1's come in bunches!

In nationwide Arbitron Sweeps!

#1 ADI — S/O-S/O — Total Households — 44 share ☐ **#1** ADI — S/O-S/O — Women (18-49) — 39 share ☐ **#1** ADI — Prime Time — Total Households — 39 share ☐ **#1** ADI — Prime Time — Women (18-49) — 40 share ☐ **#1** ADI — Late News — Total Households — 54 share ☐ **#1** ADI — S/O-S/O CBS — Total Households — 44 share ☐ **#1** ADI — Prime Time CBS — Total Households — 39 share ☐ **#1** ADI — Late News CBS — Total Households — 54 share.

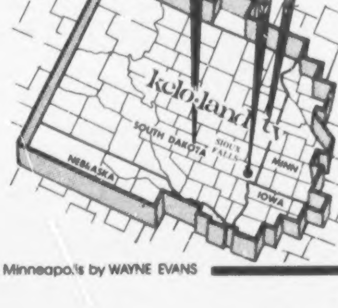
We sweep your message through this 91-county market!

A CBS AFFILIATE

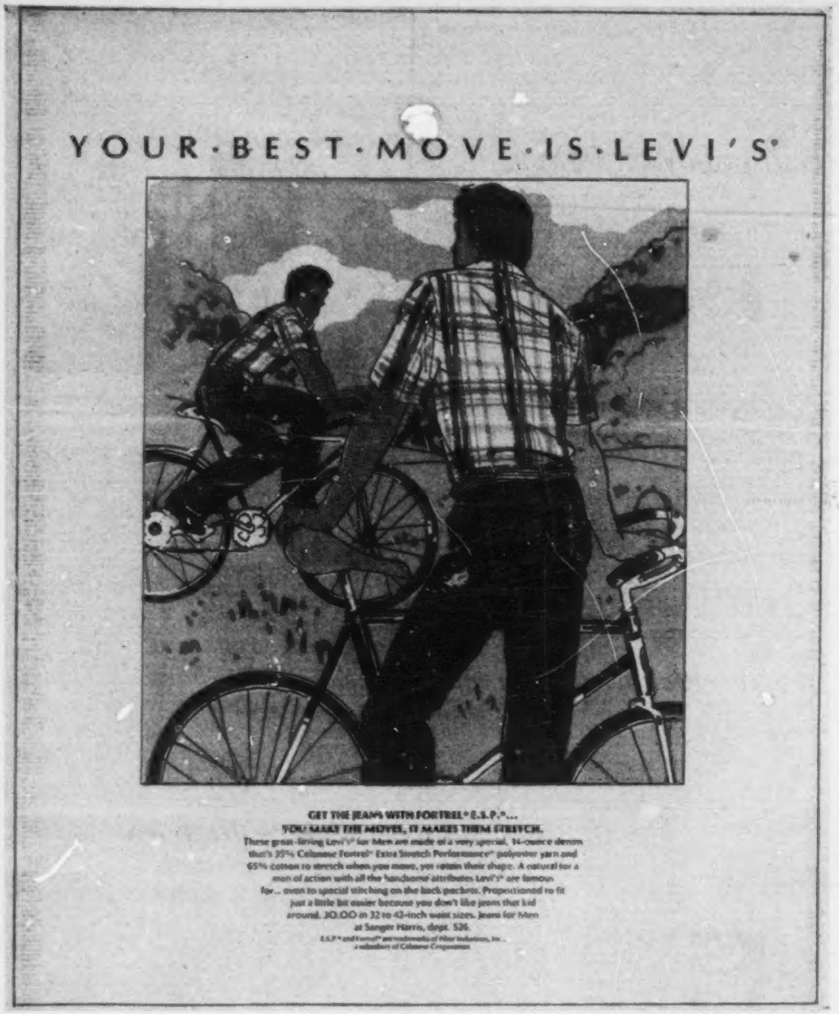
kelo·land tv

KELO-tv SIOUX FALLS, S.D.
and satellites KDLO-tv, KPLO-tv

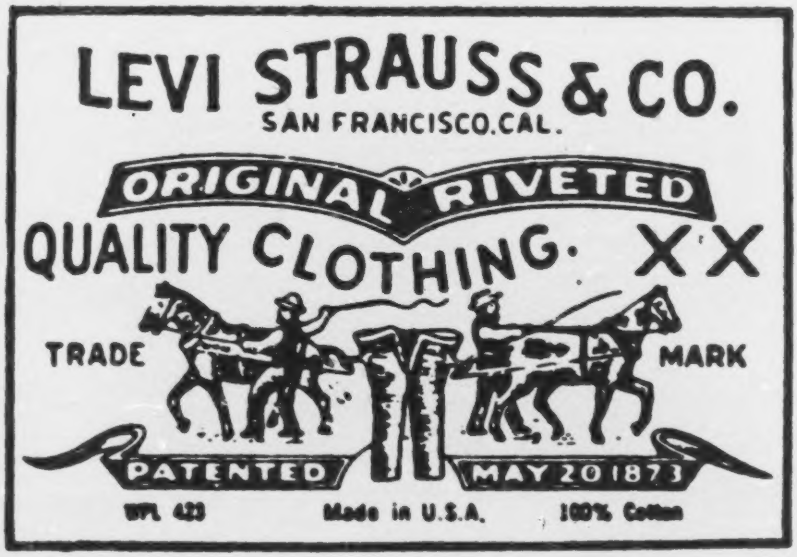
Source: Arbitron Sweeps, Nov. 1981. Affiliates of all three networks in equal facilities markets. Survey data estimates subject to usual qualifications.



Represented nationally by SELTEL In Minneapolis by WAYNE EVANS


YOUR·BEST·MOVE·IS·LEVI'S®
GET THE JEANS WITH FORTREL® E.S.P.®...
YOU MAKE THE MOVES, IT MAKES THEM STRETCH.

Co-op newspaper ad in good offset color is typical of extensive local advertising in behalf of various Levi Strauss lines. This one appeared in Dallas *Times Herald* for Sange Harris stores in 12 shopping malls.



of the women's 501 shrink-to-fit denim jeans; creation of the "separates" concept in merchandising of men's slacks, coats and vests.

- Capital expenditures totaling $229 million in 1980 and 1981 that are aimed at contributing to productivity.

- Continued diversification into fabrics other than denim and corduroy (the jeans fabrics) — with one-third of sales now in fabrics outside the original Levi's stock-in-trade.

- Increased reliance on market research.

- In the promotional arena, entering into a four-year contract with the U.S. Olympic Committee and the Los Angeles Olympic Organizing Committee — with an eye to advertising opportunities running through 1984.

In one of the understatements of the year, Walter Haas, Jr., commented: "Cancellation of U.S. participation in the Summer Games in Moscow was a disappointment.

"However, we supplied wardrobes to those selected for this competition and sponsored a major event for the U.S. athletes involved.

The conclusion of its research leads the Levi Strauss management to believe that long-term business trends are favorable to its concepts as follows:

"(1) Consumers are increasingly seeking value in their volume apparel purchases. Since the company is well positioned in the moderately priced apparel market, this trend bodes well for the future.

"(2) Brands are becoming more important in soft goods marketing. The Levi's, Koret and Resistol brands are potent forces in the marketplace.

"(3) The median age of consumers is rising in the U.S. and many other industrialized countries. Levi Strauss & Co., without sacrificing its appeal to youth, is finding ways to serve local customers as they grow older and their family incomes increase.

"(4) The media — particularly electronic — are becoming more influential in consumer purchase decisions. The company pioneered the heavy use of tv by apparel companies and continues to be among the leaders in this advertising technique."

Carroll Swan

AUTOMOTIVE

15 TOP
MARKETING
SUCCESSES
1981

Honda – where success lies in simplicity

Honda set a record for fastest growth in the nation among foreign imports. Yet this quiet company seems to have done so effortlessly. Its reputation for quality engineering generated extraordinary word-of-mouth advertising; now it's third in import sales. Honda has also achieved good mileage from a $25 million corporate advertising campaign that is both a marketing philosophy and management motto.

Honda Motor Company has been gaining momentum at a whirlwind rate, and is heading for a climax that may knock the breath out of some Detroit Goliaths and Japanese Giants.

The battle gets underway this fall, when Honda begins assembling the first Japanese autos here, a head start not yet followed by its competitors. The output of this new plant is expected to jump Honda's U.S. sales by 40% in a flash and send the company sailing around trade barriers that have dulled its remarkable journey to success.

Although tarnished by a few flaws, the story of Honda's meteoric rise in the U.S. market ranks as one of the more spectacular in recent automotive history.

HONDA

Clifford Schmillen, vp-marketing
Needham, Harper & Steers

The key to its climb has been held by Soichiro Honda, the engineer who became Honda president, laying the groundwork for the company's reputation for superior engineering. He spun off research and development as a separate company, away from the daily pressures of commercial business. Honda engineers, in this free-thinking environment, dreamed up one engineering breakthrough after another. Thus, Honda's quality image was firmly implanted. It was considered an upstart in Japan, but in the U.S. was acclaimed for manufacturing the highest-quality import on the market.

The American public has hungered for these solid, reliable and fuel-economic cars, often paying premiums for them. Detroit engineers have admired and envied Honda's intricately designed engines. The automotive trade press has enjoyed a love affair with Honda-manufactured cars.

It is not surprising then that word-of-mouth advertising has played the starring role in selling its cars. Advice and influence from family and friends is the most effective sales aid in the automobile business.

"We seem to get an uncommonly large amount of word-of-mouth advertising. We don't have to do that much convincing because a large percentage of our cars are already pre-sold," says Clifford Schmillen, vp of marketing, advertising and sales at American Honda, a wholly owned subsidiary.

Honda also gets exceptional mileage from the comparatively small amount it does spend on advertising — $25 million annually. "We keep it simple," the company's four-year-old creative slogan, sums up the company's marketing philosophy, serves as a company motto and positions its cars to customers — all in just a few words.

It's easy to see why this is a slogan that Honda wears well.

"We are simple to buy because of

On the road with Honda's team

Clifford Schmillen (left), American Honda's key marketing executive, and **Yoshihidi Munekuni,** the president's right-hand man, have adapted Honda's people-oriented management to the U.S.

In the course of putting this report together, we spent most of a business day with two top Honda executives on a visit to a typical dealership.

On this memorable though rainy day, we were swept away from our Madison Avenue offices in style — in a blue-grey limousine arranged for the executives. There we met Clifford Schmillen, Honda's mild-mannered vp of marketing, sales and administration.

In the downpour, the limousine journeyed to LaGuardia Airport, where Yoshihidi Munekuni, Honda's vp of the automotive division, joined the caravan. Munekuni, better know by his associates as "Moon," was arriving from Columbus, Ohio where he had been inspecting Honda's soon-to-be-completed auto assembly plant.

Munekuni's flight was delayed, so we took the opportunity to ask Schmillen some tough marketing questions. As the chaffeur circled the limousine round and round the airport parking lot to kill time, Schmillen thoughtfully and patiently gave us invaluable insights.

An hour later, Munekuni arrived, and we headed for Plaza Honda. As our behind-the-scenes glimpse unfolded, we saw Honda's management principles at work — and we were impressed. Our observation of a cross section of Honda employees showed that caring and listening seem to play a larger role in Honda's road to success than does a driving preoccupation with balance sheets.

At the dealership, our hosts were met in a fashion resembling the closeness of a family gathered for a holiday dinner.

John Rossatti, the well-dressed dealership owner, naturally was delighted to show off his well-run operation.

During the ride to the dealership, Munekuni had spoken little but smiled and nodded a lot. But here, he moved swiftly from model to model, with the intensity of the price, we are simple to own because of the outstanding gas mileage and easy servicing — and we are easy to park and get around town in," says Larry Postaer, senior vp-director of creative services at Needham Harper Steers in Los Angeles. The agency is driving distance from the client, where it can serve Honda's needs precisely and swiftly.

Honda's marketing success is all the more dramatic because two decades ago the company did not even make cars.

Honda came onto the scene as a manufacturer of motorcyles whose racing models began to impress British engineers by winning races on the Isle of Man with regularity.

Calling on the technology it had amassed over the years of motorcyle racing and its automobile engineering capabilities, Honda began making racing cars and a year later, in 1965, won the Mexico Grand Prix Championship, an incredible feat for an automobile manufacturer that had only been racing for a year.

Using racing as a laboratory to develop its technology for automobiles, Honda began turning out sports cars, trucks and coupes.

However, in 1970, Honda's first car in the U.S., the mini-compact, two cylinder N360, fell slightly short of disaster.

It seated two Japanese-scale passengers, had a habit of turning over at high speeds and struggled to reach 50 miles per hour tops.

But the Honda Civic, introduced in 1975, won instant popularity. It was the right car for the right time. The car's entry as a solid, gas-efficient, reasonably-priced vehicle coincided with the peak of the energy crisis. The Civic's low-pollution CVCC engine won recognition for its clean-running performance, meeting federal pollution standards without use of unleaded gasoline.

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a basketball player in a hard-fought game. He examined styling features, checked prices of options and even stopped long enough to rap on the hood of one car. Finally, he rested appraisingly beside a sporty, black Firenza, claiming it was his favorite model from Oldsmobile.

Next stop for our caravan was a neighborhood luncheon favorite, where these key executives ate fine Italian cuisine with Plaza's owner and his entourage of parts, service and sales people.

As red wine flowed freely, an oddly assorted group of top executives and coveralled and casually dressed dealer workers seemed to communicate on the same level.

The mechanic, Rocky DelPriore, developed an instant rapport with the president's right-hand man. In a thick Brooklyn accent, he reminisced with his superior about a Honda-sponsored trip to Japan he made last summer. (Each year Honda awards 50 of its top-selling dealers a free trip for two to Japan.)

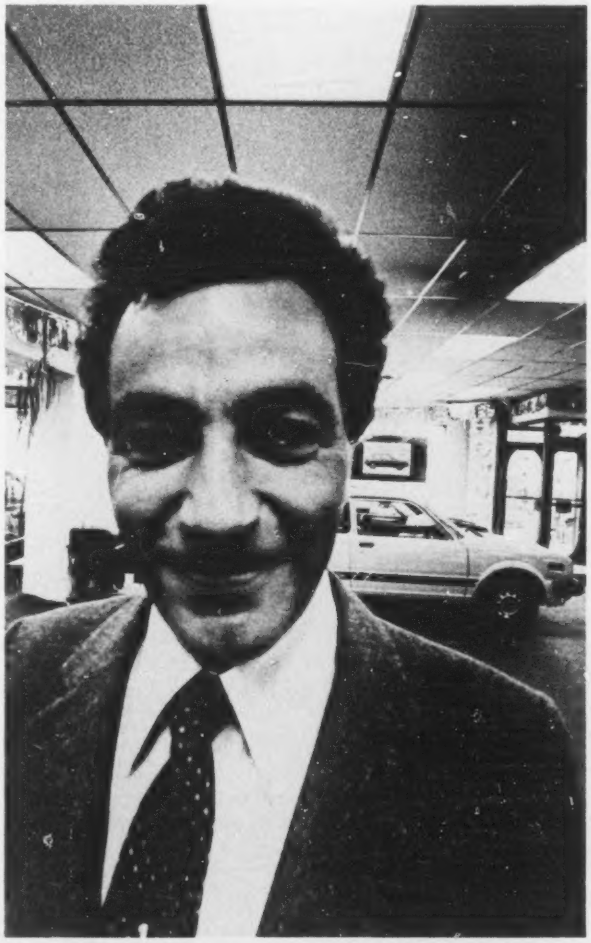
A stocky salesman, between mouthfuls of fetuccine alfredo, explained the region's sales trends to Schmillen.

The chance to shine was not lost upon Sal Tinervia, the parts supplier, who boasted that his stock is so expansive that he sells to supply-short dealers.

It would be difficult to find employees so loyal, conscientious and enthusiastic as these. They may well be Honda's unsung company spokesmen. They don't have the visibility of Tom Carvel or Frank Perdue, but certainly they have the verve.

And, in the same vein, one would be hard-pressed to find such high commanders so attentive to lower level employees.

Japan's people-oriented management is world-famous. At Honda this practice has flourished, even in the fast-paced U.S. market.



Honda dealership owner John Rossatti profits by encouraging excitement in his showroom and camaraderie among his workers, including those we visited in preparing this report.

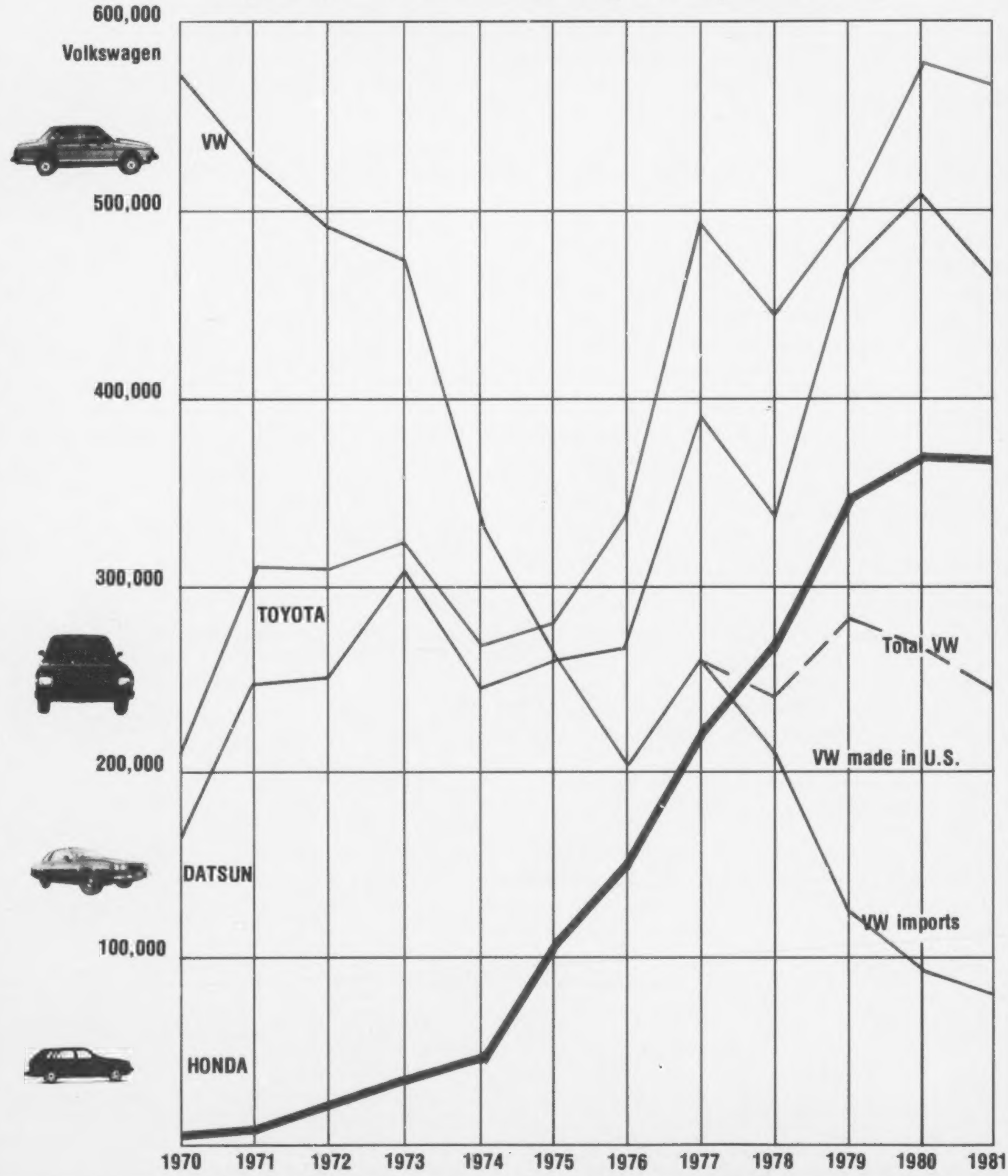
Since then, standards have been tightened, and Honda resorted in 1980 to unleaded gasoline.

From the advanced engineering of the Civic, Honda had the basis to develop the Honda Accord, marketed as a luxury car beginning in 1976, and the Prelude, a sportier version introduced in 1978.

These models have helped Honda jump from eleventh among foreign importers in 1972 to third last year. Toyota Motor and Nissan Motor (which makes Datsuns) sell more foreign imports than Honda but they are much older and better established.

Honda, which broke a record shared by Volkswagen and Toyota for fastest growth in the nation, is gaining still on Toyota and Datsun. Last year, while these two slipped in import market

Imports: Honda and key competitors



HONDA
We make it simple.

Honda says this ad appearing in regional magazines is made possible by its front-wheel drive traction.

share, Honda gained a fraction of a percentage point, ending the year at 15.9%, according to analysts.

During the last decade, Honda might have sold more cars here had it not been for limited production capacity in Japan. But the new U.S. plant is expected to increase its sales by 40% on a current base of 350,000.

Honda's decision to build a plant here is an approach to a problem faced by all Japanese car makers — U.S. government-imposed voluntary import quotas that have prevented them from meeting U.S. sales projections. Honda planned to sell 425,000 cars in the U.S. last year but fell short by 75,000. Cars assembled at the U.S. plant will not be "imports." Imports will still be limited, but it can effectively sell a higher volume of cars here.

A deepened commitment to the U.S. market is putting the pressure on Honda's marketing team to bear down harder on specific customers.

"Perhaps we have been successful up until now with 'we keep it simple,' but with the new plant, we may have to make it a little more complicated," says Schmillen, Honda's key marketing executive. "We may have to get more scientific in the way that we market, taking a packaged goods approach," says the executive, who is affectionately referred to as "chief roundeye" at Honda's American headquarters in Gardena, California.

Increasingly complex and sophisticated marketing objectives are already being implemented, although it may be a few years before significant volume is picked up when the new plant reaches full capacity.

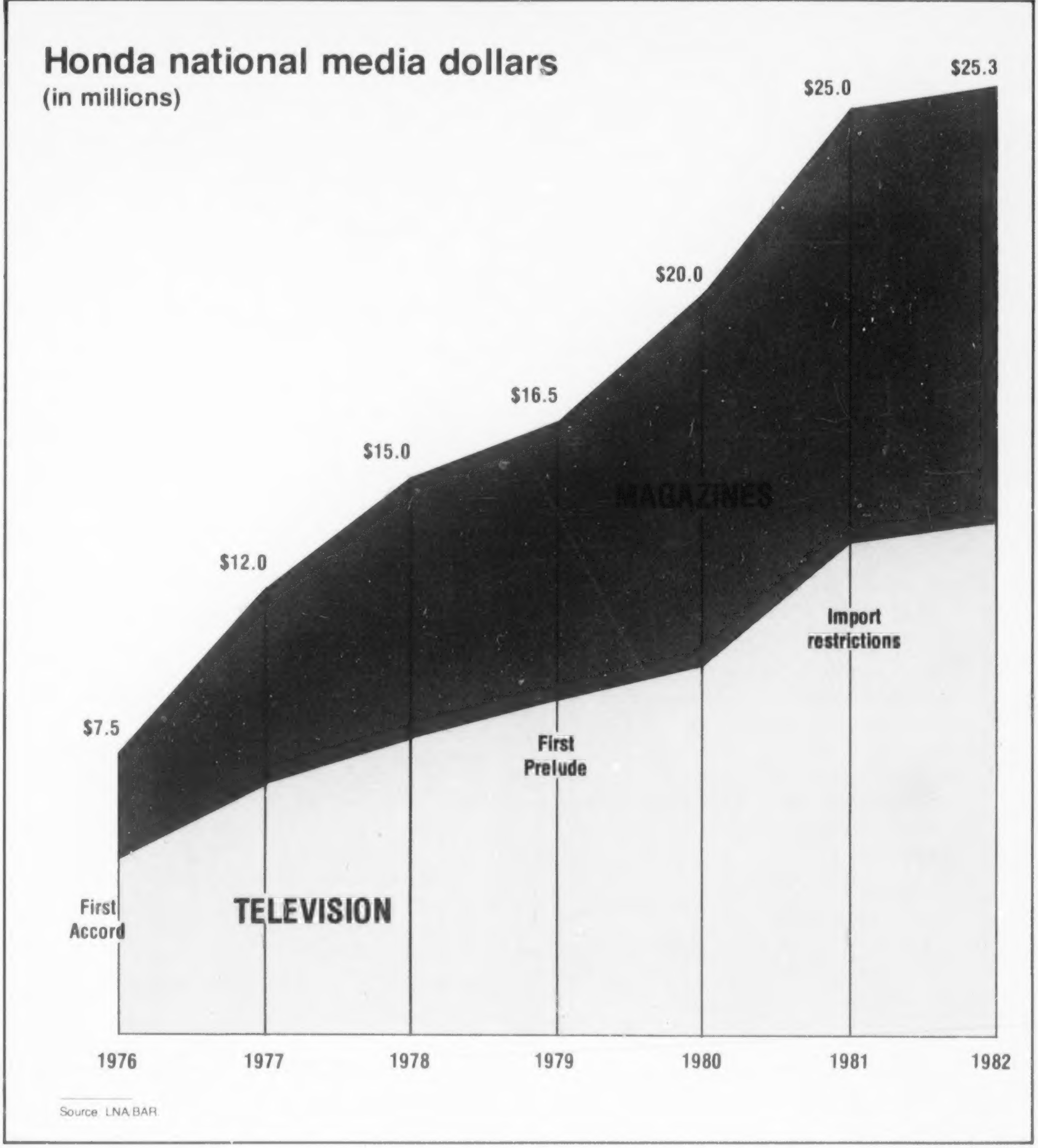
Honda's decision to build a factory here, in light of the U.S. government's protective domestic attitude, obviously makes good political sense. The plant will employ upwards of 1,500 American workers, and will use North American supplies and products. That, in turn, could relieve the U.S. government's import concerns, Honda officials speculate.

As part of a recently initiated corporate image campaign, Honda is attempting to influence public opinion by spreading the news that Honda is more than a foreign importer here to usurp the American economy. The company is trying to project that image through full-page ads in *The Wall Street Journal, Christian Science Monitor*, New York *Times*, Los Angeles *Times* and the Washington *Post* in addition to newspapers surrounding the factory area in Marysville, Ohio, near Columbus.

"I think it is important to let the American public know that we are making a substantial commitment by building this plant here," Schmillen admits. "One of the reasons is that buyers would still more readily buy an American car."

Honda's decision to build a manufacturing facility here comes as the cost of capital expansion in Japan has become too high for Honda. In order to lure Honda to Ohio, the state offered benefits equalling $2.5 million. Marysville is already home for a Honda motorcycle production facility.

Honda's "simple" advertising approach also is becoming more sophis-



Honda national media dollars
(in millions)

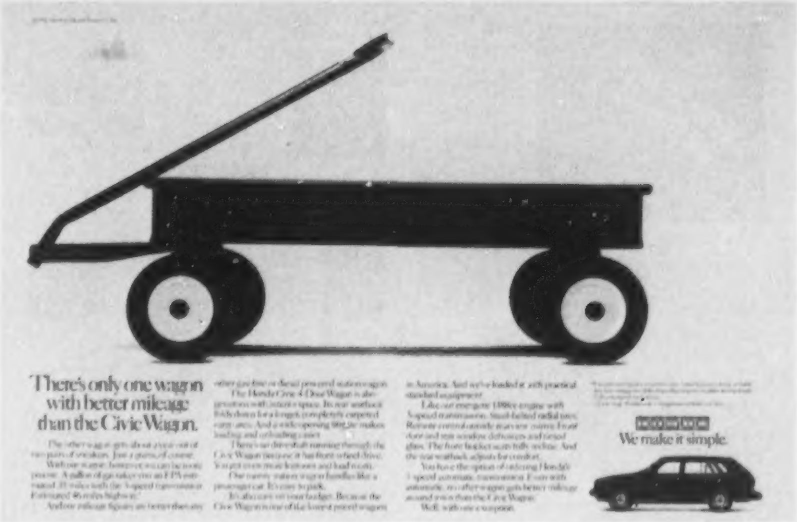
Source: LNA/BAR

ticated, in a second outgrowth of a more refined advertising effort. This new campaign seeks to make greater inroads in the Midwest, where sales have not been as strong as other geographic areas. Advertising support is increasing in that area because the new plant can readily supply cars to the Midwest. Opportunistic media buys have been made in the area so far: Honda has sponsored televised Ohio State University basketball, and the Cincinnati Reds and the Chicago White Sox baseball games.

Honda's traditional advertising, which accounts for the bulk of its spending, uses a mix of media. Primetime programing reaches out broadly to American consumers with a greater skew toward females, while sports programing — a combination of NFL Football and CBS Sports — focuses on the males that buy 60% of Honda cars.

Television's 55% share of the total advertising budget is limited to network buys. "We need to do the national job first. Because we're often in a sold-out situation, we don't need to push more strongly on a regional basis — for example like Datsun and Toyota do," says Bill Hagelstein, vp-account supervisor, at NHS.

Magazines' 40% share of the total budget is split three ways. "Newsweeklies are selected for broadest


There's only one wagon with better mileage than the Civic Wagon.

We make it simple.

Honda claims this is the only wagon that beats its gas mileage.

reach of the target audience, monthlies for highest percentage of readers inclined to buy Honda and car enthusiast books for best editorial environment," according to Abbott Davis, vp-associate media director at Needham.

Although the media choices key into target prospects, and the three models sell for different reasons, the creative approach is uniform. The common theme of Honda ads is engineering that — through quality and economy — adds up to value, Hagelstein says.

About 80% of Honda buyers have attended or graduated college (college or graduate school is the chief distinguishing characteristic of all import buyers), more than half hold professional/managerial jobs, incomes are in the mid-thirties and ages fall in the mid-thirties.

Honda's $25 million national ad budget is supported by dealer advertising associations that spend another $10-$15 million annually. The associations, which use spot television and newspapers, address product benefits central to their region. In 1980, its dealer associations spent over $400,000 in newspapers and its local dealers, over $2 million. Honda's maneuverability in the snow for example, is commonly promoted in the Northeast.

The national and dealer efforts combine to about $70 of advertising support for each car, which Schmillen calls a comparatively low figure.

Good publicity from automakers' most influential judges probably reduces the cost as much as anything else.

Car & Driver, in rating seven leading small cars in 1978, reported that the Honda Civic is the "only car with truly seductive powers. Like a new lover in the springtime, this little car makes you want to rush home and smother it with affection."

In addition, the Civic was awarded the 1974 Imported Car-of-The-Year Prize by *Road Test* magazine. And the Civic was awarded the economy prize in 1975 by *Motor Trend*.

Recently, *Car & Driver* executive editor Patrick Bedard, declined to cite which Japanese import is of the highest quality, but he quickly added: "If you ask me which one I like best, then I would have to say Honda."

"Detroit thinks of Honda as being able to handle complexity well," Bedard added. "It is a solid light weight car which means that there isn't a lot of rattling inside. And it is an intricate car with a lot of devices, almost to the point of gimmickry."

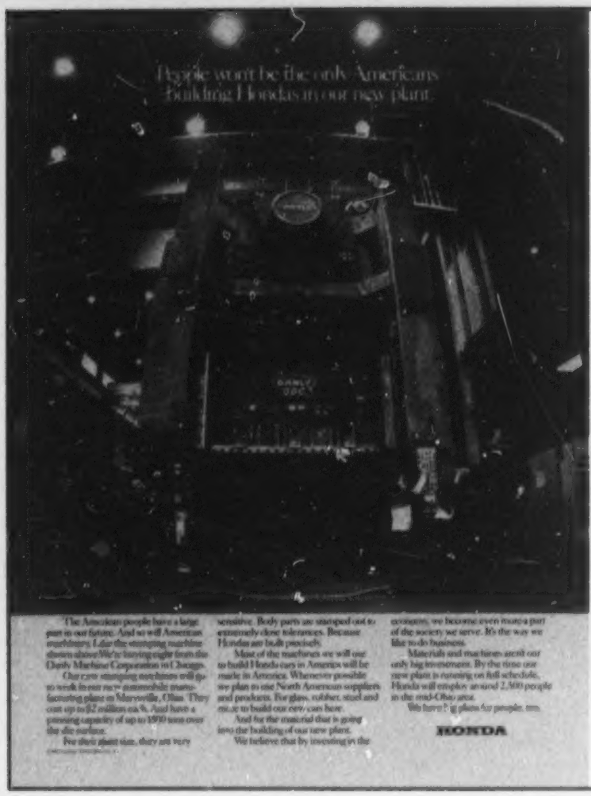
He was referring to, among other design features, the coin box that comes as standard equipment. (It was Honda's founder who got the idea of putting a coin box on the dash after he nearly had an accident on a turnpike searching for toll change.)

One competitive edge to Japanese

Ford

It's in VOGUE®

The book women live by.


People won't be the only Americans
building Hondas in our new plant.
HONDA

Soon to be made in the U.S.A.

With this corporate image ad running in several newspapers, Honda lets the public know that it is making a substantial commitment to the U.S. This ad stresses that Honda's new plant will mean more work for American employees, and will also lead to a large capital investment. Honda wants to be known as more than another foreign importer here, because it believes that Americans would still more readily purchase an American car of equal quality. By spreading the word that the company is the first auto importer to build an auto assembly plant in the United States, Honda executives hope that the import bias against them will be lessened. They don't want to be viewed as a drain on the U.S. economy.

The task of the current newspaper image campaign is formidable because Honda intends to be able to sell a lot more cars once the new plant comes on-line. Near Columbus, Ohio, the new plant is expected to boost U.S. sales 40% on a current base of 350,000 a year.

PLAYBOY INDUSTRY VIEW: CLIFF SCHMILLEN

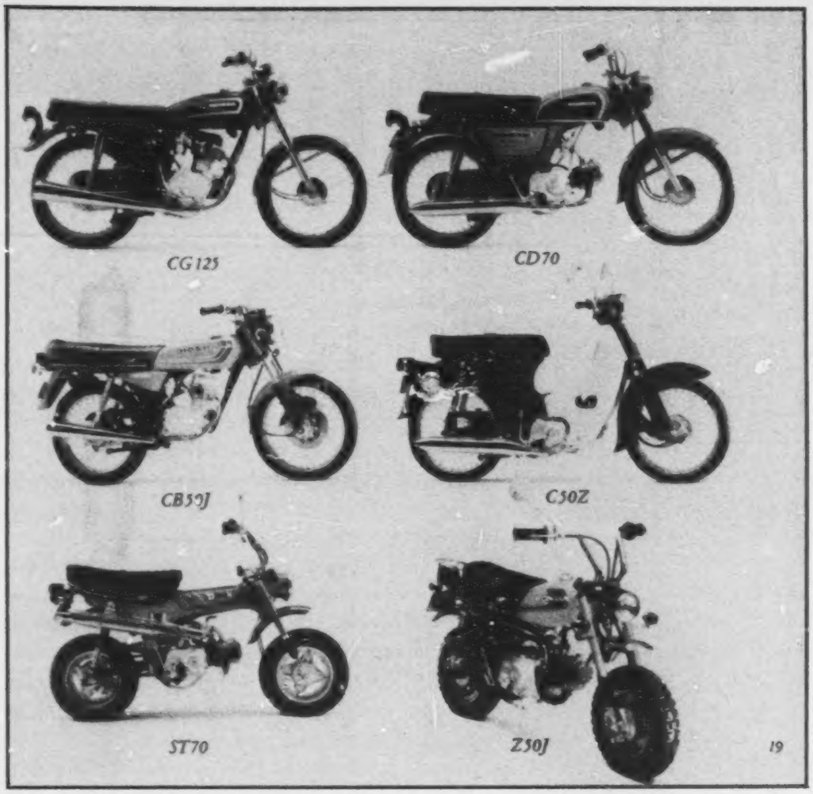
observations on automobile marketing, from cliff schmillen, vice-president of auto sales, american honda, inc.

PHOTOGRAPHY BY LARRY L. LOGAN

"In a more competitive climate, advertising must be increased. Honda will be increasing its budget, putting roughly half of it into print."

"No matter how efficient the marketing—no matter how creative the selling strategy—it's next to impossible to make money without a good product."

"Today, that 'good product' is a well-built small car with high fuel efficiency. But American buyers won't accept austerity. A small car and a plain car are not the same."



Strong sales of Honda motorcycles helped to establish a good reputation.

PLAYBOY: An ad campaign in PLAYBOY is more than competitive. It's aggressive advertising support–in an editorial environment that actually adds efficiency to a marketing message.

Each issue of PLAYBOY is read by 1 of every 4 American men who bought an imported car last year. These men use PLAYBOY as a guide for all things automotive–from buying a car to personalizing it with the right accessories to keeping it in top running condition.

Millions of American men are involved with PLAYBOY. And with the automotive advertising in its pages. An ad in PLAYBOY sends readers to their local car dealers. And sends dealers back to manufacturers for more inventory.

The Playboy reader. His lust is for life.

Source: MRI, Fall 1981. © 1982 by Playboy.

companies in entering the U.S. market, despite formidable domestic competition, is their encouragement of sound management principles.

At Honda, employees — according to a written company credo — are expected to:

- proceed always with ambition and youthfulness;
- respect sound theory, develop fresh ideas and make the most effective use of time;
- be ever mindful of the value of research and endeavor.

Practicing what he preached, Soichiro Honda retired in his mid-sixties, an age when most Japanese executives are peaking in their careers. He became a supreme adviser to the company in 1973, allowing younger employees' ideas to emerge. Honda, while at the helm, was often found alongside assembly line workers in company-issued white overalls and an American baseball-style cap. He encouraged the removal of barriers between management and workers in other ways. Workers daily meet for 15-minute discussions with group leaders about company policies. Everyone who joins Honda works for a time on the production line and is regularly switched between several departments in their first few years.

To keep its workers mentally alert, each morning, the Japanese workers prepare themselves for the day through five minutes of calisthenics.

In addition, employee devotion is rewarded. Honda, as do other Japanese companies, pays in relation to an employee's years of service. Although merit raises are given, the guiding concept is a job for life.

The employee's pride in the product shows. About 80% of the Japanese workers drive or ride a Honda and the rest don't drive or ride anything. The parking lot at Gardena, California is also filled with Civics, Preludes or Accords, although there are no strong discount incentives to buy a company car — as is the case in Detroit.

Despite the company's progressive management style and quality reputation, Honda would not have been able to ease into the U.S. market so gainfully had it not been for Clifford Schmillen, an unassuming and reflective man who *Fortune* magazine has said is the "very antithesis of the stereotyped marketing hotshot."

Schmillen was instrumental in establishing a tight dealership network, smoothing dealer tempers about supply shortages and overseeing its expansion to 800 dealers, with more to come.

Honda began recruiting dealers by convincing established auto retailers to take on Honda as a second line. But today, more and more exclusive dealerships are being formed. Honda insists that separate salesmen handle its cars. One reason Honda dealers are thriving is the opportunity to handle large volume.

Honda's dealers on the average sell 450 cars a year, more than most U.S. dealerships. There is a waiting list now for Honda dealerships.

Schmillen's "night watch" for his dealers is not done from "any ivory tower," he says. "We communicate with the dealers. We travel with the dealers. We travel with the district manager and we make a point of doing this. We think we know what's going on in the field.

Honda's Civic proved to be the right car at the right time when it was introduced to the U.S. market.

"If, for example, we have a dealer in an economically depressed area, we take a realistic attitude. We are not going to blame the dealer for poor sales."

Because Honda claims to know how its dealers think, it believes it knows the tricks that will produce high-volume salesmen.

"We sell only three models and in far fewer color selections than our competitors. Salesmen will get fond of a particular car and then that's all they want to sell. But our dealers like everything we make — so they sell them all," Schmillen says.

Planning for people expansion, he says, is becoming his major duty as the company aggressively pursues increased volume. But he claims that finding good people is also the company's biggest problem, because its expectations are high. "We're totally interested in being a good people company. We want people with common sense and good judgment."

Schmillen's keen sense of management and loyalty to the company would be difficult to match. He owns two Accords, and compares his devotion to the company to his service during World War II when he was a Marine Corps pilot. "I hated it when anyone criticized us. Now I hate it when anyone criticizes this company."

One way Honda strives to ensure high quality management is through internal promotions. Schmillen explains that it is "bad for morale to promote from the outside." He notes that his sales managers and zone managers all have field experience.

But he observes that "it's getting harder and harder to stick with these principles because we're young and growing so fast. I like to say that we are like a team without a bench."

Rebecca Fannin

Media Whiz Quiz for marketing computers, cars, cameras, home electronics and more:

Which weekly has the most affluent audience?

Publication*	HHI Median	HHI $25,000+	HHI $35,000+
The Sporting News	$29,178	56%	41%
U.S. News & World Report	$26,998	55%	32%
Time	$26,908	55%	28%
Newsweek	$26,719	55%	29%
Sports Illustrated	$26,275	53%	28%
People	$23,971	47%	25%

*Ranked by Median Household Income, Total Adult Audience, SMRB 1981/82

Surprised? Take a look at other key demographics and check CPMs. Both SMRB and MRI agree this weekly is a winner. An overnight success after 96 years. Find out about all of our surprising advantages.
In New York call 212-490-6610.

15 TOP MARKETING SUCCESSES 1981

Advantages of being self-contained

Tandy Corporation's Radio Shack home electronics and computer retail chain maintains its lead against competitors by taking care of its own. The chain manufactures most of its own products, distributes them to its own store outlets, and markets them against a 25 million-name mailing list of past Radio Shack customers. The marketing effort is also backed by an ad campaign worth about $16 million in newspapers, network television and magazines.

RADIO SHACK

Bernard S. Appel
vp-advertising

in-house

Judging from its business philosophy, the Radio Shack chain of home electronics and computer retail stores could be described as Tandy Corporation's do-it-yourself division.

Unlike its direct competitors, Radio Shack is in large part a self-contained entity. The company manufactures much of the private label electronic equipment, hi-fi components and microcomputers it markets and sells through its chain of 4,300 company-owned outlets and more than 2,000 private dealers in the U.S.

"If we manufacture a product or if one of our buyers buys a particular line of products," says Bernard Appel, Radio Shack's executive vp for marketing, "we are already assured that we will be able to distribute it to an established, nationwide chain of retail outlets. If RCA or G.E. or any of our other competitors comes up with a product, they have to put together a distribution system store by store."

It is this combination of distribution and marketing autonomy that has given Radio Shack a huge competitive edge over its competitors.

The merchandising of the Radio Shack stores is guided by instant market research gathered daily at the cash registers of the chain stores. Working from this data, the company's top management drafts its own marketing and advertising strategies.

While the ad campaign includes an $8 million network television schedule, $500,000 in magazine ads and a national newspaper campaign, Radio Shack's executives believe their primary advertising medium remains the direct mail flier. Each month, Radio Shack sends a 24-page pamphlet to more than 25 million previous customers — a mailing list painstakingly assembled over the years at the check-out counters of the Radio Shack stores.

"Radio Shack does everything in-house," says Appel. "We do half of our own manufacturing, we do our own media. If an outsider can come in and tell us something about our business that we don't already know, then we're in mighty big trouble."

To the contrary, Radio Shack appears to be in mighty good shape. According to *Forbes* magazine, Tandy Corporation's merchandising profits are almost as great as such retailing giants as Sears, J.C. Penney and K Mart. Tandy's sales of $1.7 billion last year, however, were far below the $27.3 billion for Sears or the $15.9 billion for K Mart.

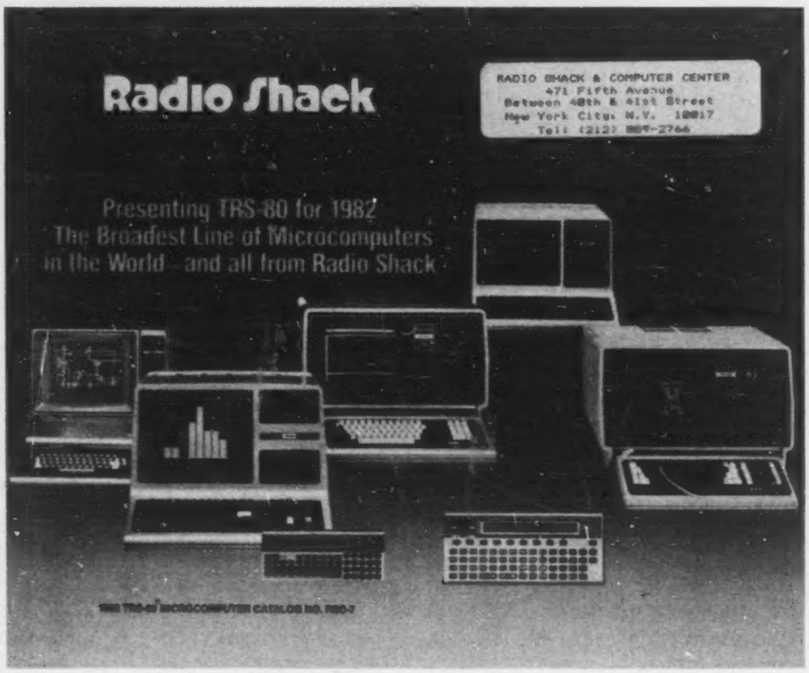
Radio Shack, which is the main profit center for Tandy Corporation, was able to contribute mightily to this profit picture even though the company operates in a field where most consumers do not fully understand the workings of the product, especially in the case of personal computers.

There is also the problem in retailing high technology electronics of consumer resistance to buy in anticipation of price roll-backs as the technology proliferates, or fears that imminent breakthroughs will soon render today's state of the art obsolete.

By promoting the company as "the world supermarket of sound" and by building on its early lead as the only national retail chain with its own computer product line, Radio Shack has successfully positioned itself as a viable and trustworthy source for the latest in high technology consumer electronics.

The advertising campaign, while designed primarily to promote particular products, actually serves two purposes. All of the ads carry the tag line: "Radio Shack, a Tandy Company." The corporate exposure has helped

Radio Shack — and its catalogue — are ubiquitous


Radio Shack
RADIO SHACK & COMPUTER CENTER
471 Fifth Avenue
Between 40th & 41st Street
New York City, N.Y. 10017
Tel: (212) 889-2766
Presenting TRS-80 for 1982
The Broadest Line of Microcomputers
in the World - and all from Radio Shack
1982 TRS-80 MICROCOMPUTER CATALOG NO. RSC-7

The straw that stirs the Radio Shack marketing mix, according to Bernard Appel, Radio Shack's executive vp for advertising and marketing, is the company's consumer products catalogues and fliers.

The printed materials are used both as direct mail pieces to Radio Shack's mailing list of more than 25 million past customers, or as in-store promotional pieces.

It is these printed materials that perhaps more than any other form of advertising capture the range of marketing problems Radio Shack faces and the array of marketing strengths it can employ to overcome the obstacles.

The drafting of the consumer products catalogues are the direct responsibility of Michael Woods, Radio Shack's general manager for advertising. It is Woods who must see that the complex nature of the electronic equipment and gadgetry sold through Radio Shack stores is make Tandy one of the most desirable stocks on Wall Street and has helped the corporation average almost 40% return on equity over the past five years, according to *Forbes*.

"We like to promote our stock as well," said Appel. "Tandy is one of the all-time success stories on Wall Street. We encourage everyone to buy our stock, even our own employees. In fact, our employees and their families hold about 25% of Tandy stock. We've always been a good stock. Charles Tandy was a genius."

The late Charles Tandy was the founder, architect and driving force behind the corporation that bears his name. Following World War II, Tandy became the principal owner of a leather and sportswear business which he had won in a proxy fight. In 1960, Tandy bought a controlling interest in Radio Shack, which at the time was a Boston-based retail chain selling everything from pots and pans to stereo components. Tandy quickly pared off the kitchen utensils and other sundries from his merchandise line and set out on a program of rapid expansion.

Tandy's personal influence on the development of the corporation cannot be understated. He developed a top management team that understood and appreciated his business philosophy. They also stayed with him over the years. When Tandy died in 1978, the transition to new leadership went smoothly. Still, even today, Radio Shack executives characterize their performance by saying, "Charles Tandy would have been proud of what we've done."

John Roach, the MBA graduate from Texas Christian University who in 1977 convinced Charles Tandy to sink $150,000 into the development of Radio Shack's first personal computer, was named president and ceo of the parent company. Roach received the 1982 Chief Executive of the Year Award from *Financial World*.

In the Radio Shack management structure, there are two executive vice presidents under Roach. Appel handles merchandising and advertising, while Robert Keto oversees retail stores and franchise dealer operations. Within Appel's merchandising and advertising management set up are vice presidents for the computer merchandising and for consumer goods, and Ira Bass, vp-advertising and head of Radio Shack's in-house ad agency.

"We're a small group here," says Appel. "We're all close to each other. We work with each other all the time. The marketing strategies and the ad plans are put together by all of us."

The advertising campaign breaks down between mass media efforts to attract new customers and direct mail to keep repeat business.

"The most valuable customer to Radio Shack is the one who shopped there last year," says Appel. "So our best and most effective advertising is our monthly flier. Each month we mail out a 24-page flier, even more pages in the Christmas season. That's why we get the name and address of every customer who buys something in our stores. We have a mailing list of 25 million past customers. Who could provide us with that?"

---

distilled and presented in an easy-to-understand form. The problem becomes even more intense in the catalogue for Radio Shack's line of microcomputers.

"We try to get across our philosophy on marketing microcomputers in the catalogue," says Woods. "We stress that we have a model for every walk of life, for every use, whether it be a computer for the home, a computer for business. Our line is so wide that we try to isolate them by benefits. We try to present which computer model will best fill the customers' needs."

The catalogues, through their copy, graphics and organization, address several problems in buying a computer, and present corresponding examples of how Radio Shack can assuage those problems.

First of all, the copy describing the microcomputers and accessory equipment is written in plain English, deemphasizing when possible the technological descriptions that can often scare away the computer novice. The Radio Shack catalogue stresses what the microcomputer model can do, rather than detail how it does it.

"What we have tried to do," says Woods, "is to take the mystique out of computers."

The catalogues are also used to display the range of computer models available through a single source. The model descriptions stress the versatility of the individual models and demonstrate their capacity for upgrading as either technology improves or the user's computer needs grow. The result is the alleviation of at least some of the consumer resistance to buy personal computer hardware now in fear that tomorrow's breakthroughs will soon render today's state of the art equipment obsolete.

Also included in the catalogue are price listings on all products, from computers and accessories to books on computer usage and accompanying software. Since Radio Shack owns most of its retail outlets, the company can be assured that pricing will be uniform.

The catalogue also promotes Radio Shack's nationwide distribution network, providing the consumer with a sense of accountability. Radio Shack computers, which are offered with a service plan, can also be serviced at many of the company's outlets.

"What we try to get across is that Radio Shack has the best supported line of microcomputers in the world," says Woods. "In the catalogue, we are able to tie that all together.

"We are able to tell the consumer that there will be service after the sale. It gives him a sense of quality of product, reliability of product, and a wide variety of software application available from a single source. The message is that Radio Shack will be here when you need us."

In the search for new customers, Radio Shack relies heavily on newspapers and network televison, with some support in magazines.

While Radio Shack's newspaper expenditures are not covered by Media Records, Appel, who declined to cite a specific dollar amount, concedes that "we spend a lot in newspapers. It's our biggest medium in dollars." That means something over $8 million.

A Radio Shack newspaper ad usually promotes as many as eight different products, from stereo equipment to wireless intercoms, to cordless telephones, burglar alarms, digital clocks and pocket calculators. All of the ads stress price and, when appropriate, price reductions. The bottom copy line on the newspaper ads direct the reader to his phone book to check the location of the nearest dealer or company-owned store.

John V. Roach, president and chief operating officer of Tandy Corporation, is man who convinced Charles Tandy, founder of the corporation, to first get into microcomputer development and manufacturing.

"Radio Shack is one of the few in its industry in the U.S. that can buy media nationally," says Appel. "We know that the Radio Shack stores will carry generally the same merchandise. We know that there will be one price in all company stores. And we have a distribution network across the country. So, it makes sense for us to use network television instead of spot. The only local buys we would ever make would be on radio in July during red tag sales, but that is all."

According to Leading National Advertisers/Broadcast Advertising Reports (LNA/BAR), Radio Shack spent $7.3 million in network television in 1980. Through the first nine months of 1981, according to LNA/BAR, Radio Shack had spent $2.1 million in network tv, compared to $1.7 million during the same time period in 1980. The fourth quarter of the calendar year is, obviously, a critical period in Radio Shack's advertising plans. According to LNA/BAR, Radio Shack in 1980 spent almost 70% of its network tv budget during the last three months of the year.

"We don't even start to use television until the fall," says Appel. "And then we're on football mostly during November and December, during the Christmas selling season."

Ira Bass, the head of Radio Shack's in-house ad agency, says, "When we go on network tv during the Thanksgiving to Christmas selling period, we go for total households instead of searching for a particular demographic mix. We are promoting so many different products during that period that we just have to concentrate on total numbers. During the six week flight, we run as many as 14 different spots."

Radio is virtually ignored by Radio Shack — in spite of its name.

Says Appel, "We use radio very rarely. We might use it during our clearance sales in January and July, or to promote a new store opening. But radio just doesn't work for us."

Magazines, however, do work for Radio Shack, especially for advertising microcomputers and sophisticated stereo equipment.

The magazine ad schedule for 1981 included various Radio Shack promotions in several business magazines, science publications and general interest publications. The target audience was primarily upscale men, with additional emphasis on the businessman who might be interested in small computers.

The Radio Shack magazine roster for 1981 included *Business Week, Forbes, Fortune, Inc., Omni, Playboy, Popular Science, Rolling Stone, Scientific American, U.S. News & World Report* and *Parade*.

"We also place ads for our computer products in business publications such as the *Wall Street Journal* and trade magazines such as *Byte, Personal Computer, Computer World* and a slew of others like them" says Bass.

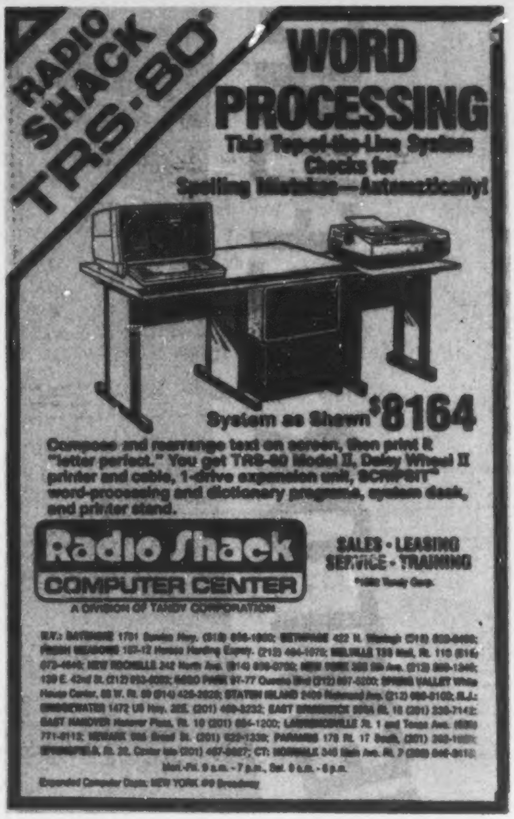
"The consumer books are used for our hi-fi equipment, CB radios, automobile sound, security systems and telephone equipment. For these products, we'll use *Rolling Stone, Stereo Review, Popular Electronics* and *Radio Electronics*, among others. During this fiscal year, we also intend to break into the women's books with some ads for our telephone equipment."

Bernard S. Appel, senior vp-merchandising and advertising at Radio Shack, says: "If an outsider can come in and tell us something about our business that we don't already know, then we're in mighty big trouble."

According to LNA, Radio Shack spent $530,000 in magazines in 1980. For the first nine months of 1981, LNA reports that Radio Shack had already placed $355,000 in magazines, compared to $280,000 in 1980.

The magazine advertisements range from promotions of Radio Shack's new TRS-80 Model 16 microcomputer to ads featuring Isaac Asimov.

Perhaps the greatest strength in the Radio Shack business strategy, however, comes from the company's national merchandising and distribution approaches, especially in computer sales. Last year Radio Shack, which markets seven microcomputer models, sold about 500,000 units — and they


RADIO SHACK TRS-80®

WORD PROCESSING

This Top-of-the-Line System Checks for Spelling Mistakes—Automatically!

System as Shown $8164

Compose and rearrange text on screen, then print it "letter perfect." You get TRS-80 Model II, Daisy Wheel II printer and cable, 1-drive expansion unit, SCRIPSIT™ word-processing and dictionary programs, system desk, and printer stand.

Radio Shack COMPUTER CENTER

A DIVISION OF TANDY CORPORATION

SALES • LEASING
SERVICE • TRAINING

Special newspaper ads from Radio Shack promote both TRS-80 Model II word processor and unique Radio Shack computer centers — special outlets with specially trained computer sales help. As with other Radio Shack newspaper ads, computer center ad stresses price and location.

accounted for about 30% of Radio Shack's sales last year (1981).

While most industry analysts predict sales growth in the microcomputer field will run as high as 30% for the next few years, the marketing of personal computers and the accompanying software continues to face some consumer resistance. The small business computer can become the central nervous system for a business, yet the businessman purchasing a computer rarely understands the full use of the equipment. Some consumers view computers as "a solution searching for a problem to solve."

Radio Shack's distribution, merchandising and sales approach, however, has helped considerably to assuage such consumer fears.

First of all, the visibility of the Radio Shack chain has provided consumers with a sense of accountability on the part of the seller. Further, Radio Shack maintains 350 company stores with complete computer departments staffed with specially trained computer salesmen.

"Our greatest strength is our ability to generate consumer trust," says Appel of Radio Shack's computer sales operations. "We have clearly presented ourselves as being price leaders and a value house. And we're there with 4,300 stores if we're needed later. None of our competitors can offer that." *Craig Reiss*

What retail store in Miami is missing 40% of its market?

Any retail store that isn't advertising in Diario Las Américas.

Because the Spanish-speaking people of Greater Miami are also the Spanish-reading people of South Florida. Comprising 40% of the total Miami market. With more than $4 billion in buying power.

Intelligent, informed, affluent and acquisitive people who trust Diario Las Américas, because it has been their daily newspaper for more than a quarter of a century.

Those are the facts. We can prove them to you in our 10-minute slide presentation. Call us for an appointment.

Diario Las Américas

The Spanish-language Daily Newspaper
Founded July 4, 1953

Diario Las Américas
2900 N.W. 39th Street
Miami, Florida 33142-5193
(305) 633-3341

DIARIO LAS AMERICAS

Apple's personal touch

Getting rich quick is the name of the game for Steven Jobs. In six years this 27-year-old entrepreneur has turned a small personal computer operation into a $335 million business. Last year alone, ad expenditures in the $10 million range increased awareness of Apple from 10% to 80%.

Six years ago, two young men with a penchant for tinkering developed a pint size machine that is now the front runner of a $2.2 billion worldwide industry.

The inventors were Steven Jobs and Stephen Wozniak. The machine was the Apple II personal computer, consisting of an internal memory system, a keyboard and a video display screen (CRT).

Besides being a child prodigy, Jobs, presently Apple's chairman, had an unusual flair for promotion. When Apple Computer Inc. was operating out of his parents' garage on a shoestring budget, Jobs bought full page splashes in *Scientific American* and *Byte* magazines, creating the impression that his small time operation was a legitimate contender against the giants of Silicon Valley.

And last year Jobs launched an advertising and promotional campaign that increased consumer recognition from 10% to 80%, according to the company's annual report.

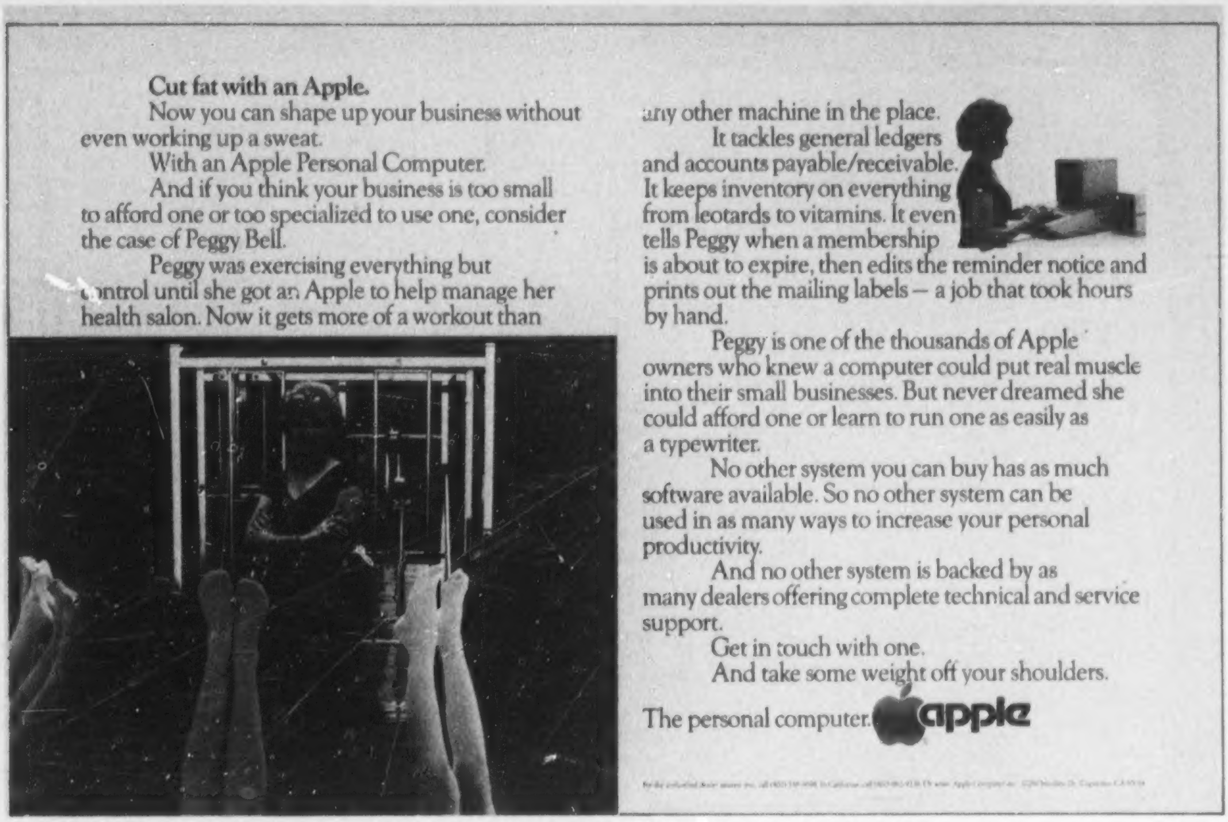
Henry Whitfield, advertising manager, attributes Apple's increased consumer awareness to several factors. "Last year we used broad based media on a fairly significant scale for the first time," he says. "On top of that, as more competitors have moved into the market place, we've been the beneficiaries of increased interest in the personal computer field."

With ad expenditures ranging between $10 and $15 million, Apple's 1981 media base included spot tv in

APPLE

Steven P. Jobs, chairman;
A.C. Markkula, Jr., president

Chiat/Day



Cut fat with an Apple.

Now you can shape up your business without even working up a sweat.

With an Apple Personal Computer.

And if you think your business is too small to afford one or too specialized to use one, consider the case of Peggy Bell.

Peggy was exercising everything but control until she got an Apple to help manage her health salon. Now it gets more of a workout than any other machine in the place.

It tackles general ledgers and accounts payable/receivable. It keeps inventory on everything from leotards to vitamins. It even tells Peggy when a membership is about to expire, then edits the reminder notice and prints out the mailing labels — a job that took hours by hand.

Peggy is one of the thousands of Apple owners who knew a computer could put real muscle into their small businesses. But never dreamed she could afford one or learn to run one as easily as a typewriter.

No other system you can buy has as much software available. So no other system can be used in as many ways to increase your personal productivity.

And no other system is backed by as many dealers offering complete technical and service support.

Get in touch with one.

And take some weight off your shoulders.

The personal computer. apple

Application-oriented ads are part of Apple's campaign, which saturates print media.

the top 15 markets during prime time and early and late fringe, as well as network radio and print.

Although Apple has stopped running tv and radio spots for the time being, the company's ad campaign still leans heavily toward print.

According to Whitfield, Apple plans its media schedule quarterly, and the media mix for the upcoming months is yet to be decided.

The primary target audience for the Apple II personal computer and the more recently launched Apple III is men with incomes of $35,000 plus in business and management positions.

The print campaign includes ads explaining how people use the Apple II, and others designed to relaunch the Apple III.

Trouble with Apple III

Whitfield explains: "When the Apple III came out in late 1980, it was never really introduced in the media. It wasn't supported by separate advertising, and it suffered from that."

Worse yet, the machine had some hardware problems and it got a bad reputation among dealers and enthusiasts. Whitfield admits: "We actually rushed it to market — in retrospect, prematurely."

To counteract the Apple III's negative press, the machine was taken off the market and overhauled. Notes Whitfield: "We ironed out all the kinks and developed new software." When the III was ready for its second debut, the company decided to kick off a relaunch campaign.

To compete with three other companies that had introduced personal computers while the Apple III was back on the drawing board, Whitfield says, "We felt we had to take a pretty gutsy, head-on, informational approach.

"Since we think the Apple III is vastly superior to its competitors in capability, price and expandability, we felt that we had a strong story to tell consumers."

He admits that this approach was also taken to prevent people from being swayed by big name competitors like IBM, Xerox, Hewlett Packard or any others.

Apple's print media campaign runs in magazines, including *The Wall Street Journal, Newsweek, Fortune, Time, U.S. News & World Report, Business Week* and airline flight magazines.

Trade press and enthusiast books include *Chemical Engineering, Data Sources, Electronic Learning, The Journal, Learning Magazine, Byte, Personal Computing*, and *Engineering Market*.

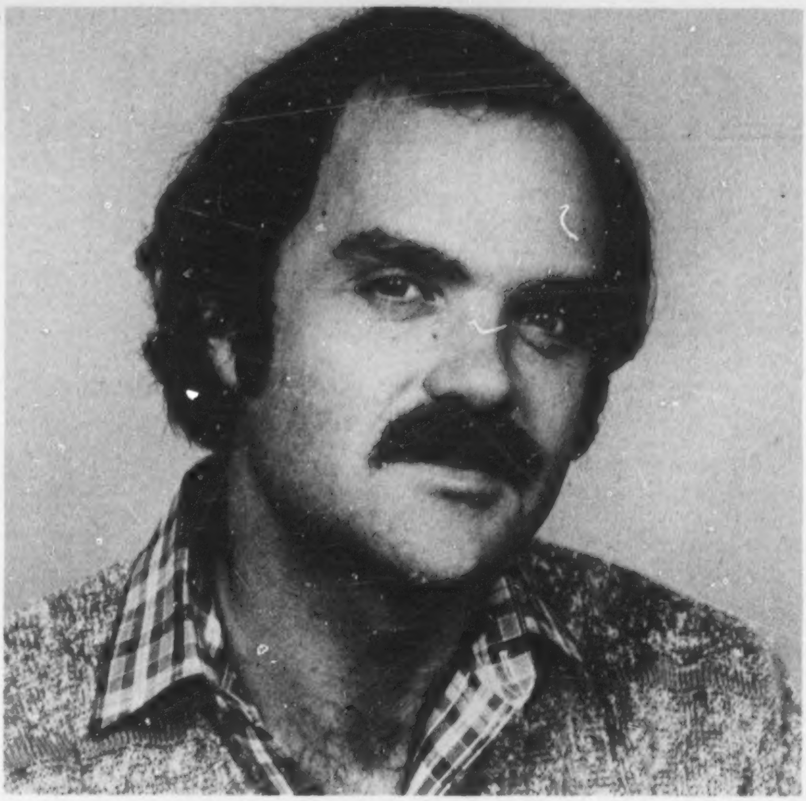
Apple focuses on the science market with ads in *Scientific American, American Scientist* and *Science '82*.

The education field is yet another important market for microcomputers. Thus Apple has a "saturation campaign" in the vertical education trade books, according to Whitfield.

Importance of co-op

Another branch of the company's advertising arm is its extensive co-op program. Since Apple has neither the direct sales muscle of a large corporation nor a chain of retail stores similar to Tandy's Radio Shack, it depends entirely on independent dealers.

Notes Whitfield: "Our co-op program is fairly extensive. And since our dealers are getting more sophisticated



Advertising manager Henry Whitfield attributes Apple's increased recognition to a broad-based media schedule and growing interest in computers.

in their use of advertising at the local level, we try to take advantage of this as much as possible by providing an array of pre-produced advertising materials such as print ads, radio and tv spots."

To ensure that Apple's dealers, totaling over 1,100 stores, have a thorough understanding of its products, the company sets up extensive training programs.

States Whitfield: "One of the most important factors in this business is making sure that when a customer walks into a store and wants to look at a personal computer, the salesperson will know more about the machine than where the on/off button is. The toughest challenge facing our business and that of our competitors is constantly improving the calibre of knowledge at the point of sale."

In addition to Apple's traditional outlet of computer dealers, the company is also looking into department stores as another avenue of distribution. "We are doing some testing with Macy's," says Whitfield, "and we plan to expand that test into five other department stores as well. We can certainly see some potential there as a channel of reaching other people."

However it is yet to be determined whether department stores can actually handle the sales and support requirements of selling personal computers.

In developing media advertising strategies, Apple works directly with Chiat/Day, the company's ad agency in San Francisco, California which handles all aspects of account management, planning, buying and creative.

Unlike most companies, Apple does not have a marketing department. Instead, there is a group marketing council including key manufacturing, sales, advertising promotion and market research staff. This group sets objectives and priorities by mutual consensus. Then a marketing task force executes the objectives established by the council.

Along with a successful relaunch of the Apple III and continued penetration of Apple II sales, objectives set by the council for 1981 and 1982, another key marketing objective was to establish a National Accounts Program.

Dealer "certification"

"The National Accounts Program is our way of competing with the traditional office product companies like Xerox and IBM, which have direct sales forces," Whitfield explains.

Instead of selling directly, Apple has a certification program available for dealers interested in handling national accounts. If a national account dealer sells to a bank in California with offices in ten states, the dealer is responsible for coordinating placement and support services for all the machines purchased.

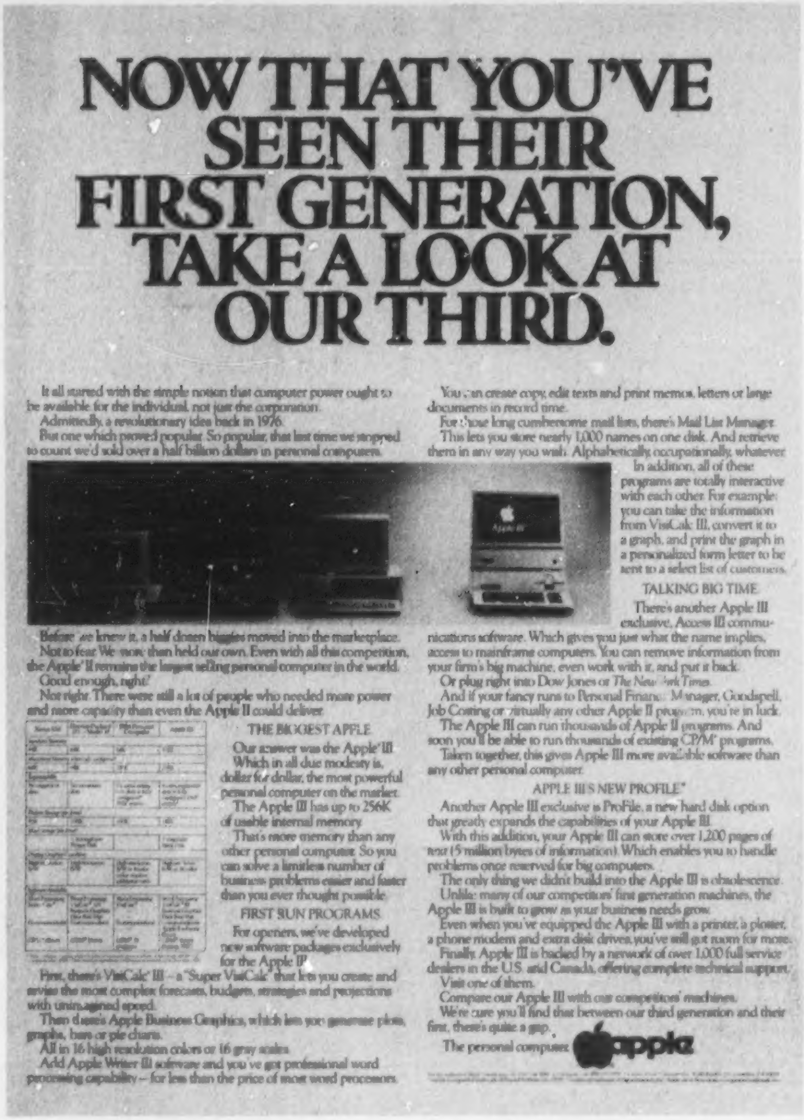
Whitfield predicts that this program (started in January of this year) will be well received by companies and dealers alike. He admits, "There are probably some companies who only feel comfortable dealing directly with manufacturers. However, we're finding that there's a surprisingly good acceptance of the program by large companies that work with local dealerships, as long as they provide a certain standard of performance and coordinate the overall process."

One reason Apple decided not to cultivate its own sales force, according to Whitfield, is that "it allowed us to expand our national account capability more quickly through our large dealer base, which was preferable to hiring a lot of salesmen. By June, Apple expects to have 100 national account dealers covering almost all of the major cities."

One area where Apple has set up a special sales group is in the potentially lucrative educational market.

According to Grant S. Bushee, vp of Dataquest, an A.C. Nielsen research unit, personal computer hardware and software sales to schools will more than triple by 1985 from about $150 million last year.

In addition to assisting dealers reach target educational decision makers, the group also employs regional reps for this purpose. Additionally, the educational sales force sets up special pur-



NOW THAT YOU'VE SEEN THEIR FIRST GENERATION, TAKE A LOOK AT OUR THIRD.

It all started with the simple notion that computer power ought to be available for the individual, not just the corporation.

Admittedly, a revolutionary idea back in 1976.

But one which proved popular. So popular, that last time we stopped to count we'd sold over a half billion dollars in personal computers.

Before we knew it, a half dozen biggies moved into the marketplace.

Not to fear. We more than held our own. Even with all this competition, the Apple® II remains the largest selling personal computer in the world.

Good enough, right?

Not right. There were still a lot of people who needed more power and more capacity than even the Apple II could deliver.

THE BIGGEST APPLE

Our answer was the Apple® III. Which in all due modesty is, dollar for dollar, the most powerful personal computer on the market.

The Apple III has up to 256K of usable internal memory.

That's more memory than any other personal computer. So you can solve a limitless number of business problems easier and faster than you ever thought possible.

FIRST RUN PROGRAMS

For openers, we've developed new software packages exclusively for the Apple III.

First, there's VisiCalc® III – a "Super VisiCalc" that lets you create and revise the most complex forecasts, budgets, strategies and projections with unimagined speed.

Then there's Apple Business Graphics, which lets you generate plots, graphs, bars or pie charts.

All in 16 high resolution colors or 16 gray scales.

Add Apple Writer III software and you've got professional word processing capability – for less than the price of most word processors.

You can create copy, edit texts and print memos, letters or large documents in record time.

For those long cumbersome mail lists, there's Mail List Manager.

This lets you store nearly 1,000 names on one disk. And retrieve them in any way you wish. Alphabetically, occupationally, whatever.

In addition, all of these programs are totally interactive with each other. For example: you can take the information from VisiCalc III, convert it to a graph, and print the graph in a personalized form letter to be sent to a select list of customers.

TALKING BIG TIME

There's another Apple III exclusive, Access III communications software. Which gives you just what the name implies, access to mainframe computers. You can remove information from your firm's big machine, even work with it, and put it back.

Or plug right into Dow Jones or *The New York Times*.

And if your fancy runs to Personal Finance Manager, Goodspell, Job Costing or virtually any other Apple II program, you're in luck.

The Apple III can run thousands of Apple II programs. And soon you'll be able to run thousands of existing CP/M® programs.

Taken together, this gives Apple III more available software than any other personal computer.

APPLE III'S NEW PROFILE™

Another Apple III exclusive is ProFile, a new hard disk option that greatly expands the capabilities of your Apple III.

With this addition, your Apple III can store over 1,200 pages of text (5 million bytes of information). Which enables you to handle problems once reserved for big computers.

The only thing we didn't build into the Apple III is obsolescence.

Unlike many of our competitors' first generation machines, the Apple III is built to grow as your business needs grow.

Even when you've equipped the Apple III with a printer, a plotter, a phone modem and extra disk drives, you've still got room for more.

Finally, Apple III is backed by a network of over 1,000 full service dealers in the U.S. and Canada, offering complete technical support.

Visit one of them.

Compare our Apple III with our competitors' machines.

We're sure you'll find that between our third generation and their first, there's quite a gap.

The personal computer. apple

To compete with big league corporations, a head-on approach.

chasing agreements to facilitate the purchase of hard and software by local school districts on the basis of statewide contracts.

To further increase its share of the education market, Apple recently came up with a proposal to donate an Apple II to each of the nation's more than 83,000 public, elementary and secondary schools in return for a tax break of nearly $20 million. However, the company cannot use the write-off unless Congress changes a current law that allows deduction of "scientific equipment" used for research purposes donated to colleges and universities, but not lower level educational institutions.

Steven Jobs has been actively lobbying for the change in legislation on Capitol Hill. If he gets his way, Apple will stand a good chance of grabbing a large share of the school market.

Education is not the only area that promises to be lucrative for personal computers. As more people become acquainted with these "user friendly" machines, analysts predict they will continue to expand into new markets.

Competitive growth

As a result of the rapid growth, an increasing number of manufacturers have jumped onto the personal computer bandwagon.

Up until a year ago, Apple, along with a handful of other companies such as Tandy's Radio Shack, Commodore and Atari had the personal computer field almost entirely to themselves.

But as the market continued to undergo phenomenal growth, some big league data processing manufacturers also set their sights on personal computers.

The company that made the biggest splash with a personal computer in direct competition with both the Apple II and III was IBM.

Notes Robert L. Christensen, analyst for A.G. Becker, "I think IBM is going to be a tough competitor for Apple, Tandy and everybody else. The main players in personal computers are starting to be identified."

Christensen explains: "IBM is a name that is unrivalled in the industry in terms of notoriety and presence. Also important is the fact that IBM's personal computer seems to have a lot of capabilities for the price."

On the other hand, Leonard B. Barshack, analyst for Salomon Brothers, observes that although "IBM has certainly had an impact on Apple, the company's entry into the personal computer market has also sparked more consumer interest. "I don't think that Apple has seen a major cut in sales because of IBM.

One big plus for Apple is the vast array of software currently available for both the II and III. However, analysts will be keeping a watchful eye as IBM quickly develops its software packages. Notes Christensen: "Apple is in a good position now because the company has sold a lot of machines and that's sparked a lot of software. But if their software development ever breaks down, they'll be in a lot of trouble."

Ad expenditures

IBM is not the only company that poses a threat to Apple. Tandy Corporation's Radio Shack has already captured 23% of the market, a share that is equal to Apple's slice of the personal computer pie. And Xerox recently introduced a machine humorously referred to by engineers as the "worm" because it is claimed to devour Apples.

Apple's competitors have also launched fierce advertising campaigns. Although Apple's total expenditures of $10-15 million for 1981 far outweigh its competitors, according to Leading National Advertisers last year Atari spent $4.7 (6 media total), while the second biggest spender was Texas Instruments, totaling $2.1 million. Radio Shack spent $10.3 million (6 media total), however since all of RS's corporate and brand advertising expenditures are lumped together, it is not possible to determine how much the company spent on personal computers.

Need for expansion

To compete with the new crop of personal computers, Apple will need to expand its product line and move into other areas.

One such market that holds significant potential is office automation. Apple is beginning to position itself in this area with its present products as well as several computers that are currently under development. Although the company has been fairly tight lipped about its upcoming entries, rumor has it that Apple is introducing another innovative product, code-named Lisa, sometime this year. This machine, reportedly developed at a cost of over $30 million, is touted as the "friendliest" personal computer yet to hit the market.

Although the details of how Lisa works are still unclear, Steven Jobs has indicated that the time it takes for a new user to get up to speed will be reduced from roughly 20 hours to 20 minutes.

Industry observers say that what makes Lisa so easy to operate is that users do not need to memorize codes. Instead, they simply choose any number of commands with the aid of a hand held push button device called a "mouse."

Says Salomon Brothers' Leonard Barshack, "I'm very enthusiastic about Lisa. There's nothing else like it in the field, barring the higher priced Star work station introduced by Xerox. The Star costs around $16,595 while Lisa is expected to be priced at $7-10,000."

Barshack notes that Apple is taking a gamble with Lisa because the company has invested heavily in research and development for the product. However, he feels strongly that Lisa's highly probable success in the office automation market will once again put Apple leap years ahead of its competitors.

Another new product, code-named Super II, is expected to reach dealer showrooms sometime this year.

Drawing on the success of the Apple II, the Super II will reportedly have an updated hardware design and a much lower manufacturing cost. This should enable the Super to compete with some of the lower priced competing personal computers that have recently been introduced.

Commodore, for example, unveiled a personal computer for $600 this past January which is considerably cheaper than the $1,500 Apple II.

Apple is also looking into a networking scheme that would enable its machines to be hooked up to main frame computers through cable, thus enabling them to communicate with each other.

The home market is another possible area for development. Although both Apple and Tandy had great hopes for this market several years ago, there has not been much consumer interest in purchasing personal computers to balance checkbooks and store recipes. But as electronic publishing, video and cable capabilities expand, there may

Which magazine has the highest percentage of readers buying office machines?

BAR
Forbes
MANAGING PRIVATE WEALTH IN A CHANGING WORLD
BusinessWe
FORT

Barron's does. More than four out of ten Barron's readers are in professional or managerial occupations. And, more than a third of them participated in an office machine purchasing decision for their firms in the past twelve months. That's a higher percentage than for Business Week, Forbes or Fortune.

So whether you're selling computers, copiers or word processors, Barron's Office Automation or Computers for Business and Personal Use advertising sections can help make your job a whole lot easier.

Reserve your space now. Office Automation Sections: June 7 and September 20. Computers for Business and Personal Use Sections: October 25 and December 6. Line rate: $10.40.

Just call Karen Quinn in Boston at (617) 742-5600. Or write Barron's, 35 Congress Street, Boston, MA 02109.

Today is history. Tomorrow is BARRON'S.

Source: MRI, Fall 1981. Copyright, Dow Jones & Company, Inc., 1982

ple comput r

The "Apple Balloon" flaunts a familiar logo.

be a greater need for home computers down the road. In fact, some industry watchers predict that there is already a product code-named MacKintosh on Apple's drawing boards that is slated for the computerized home of the future.

Varied media emphasis

Of the four leaders in personal computer advertising expenditures, the emphasis on media varies from one company to the next.

According to Leading National Advertisers, in 1981 Apple placed $3.7 million in magazines and $2.5 million in spot tv. The company also spent $644,000 in network tv, $882,000 in network radio, $894,000 in spot radio (Radio Expenditure Report) and $262,000 in newspapers (Media Records).

LNA indicates that Texas Instruments placed all of its personal computer ad dollars ($2.1 million) in spot tv. However a specific breakdown of other possible media expenditures not listed in LNA were unavailable at this writing.

Atari had a fairly even mix of ad dollars in print, network and spot tv. The company spent $1.6 million in magazines, $1.3 million in network tv and $1.7 million in spot tv. Additionally, $385,000 was placed in spot radio (Radio Expenditure Report) and $954,000 in newspapers (as reported by Media Records).

Although we were unable to delineate Radio Shack's ad expenditures on personal computers, LNA reports that the majority of RS's ad dollars, $9.2 million out of a total of $10.3 million, were spent in network television.

As technological developments continue to create almost overnight shifts in the personal computer industry, most analysts admit that it is difficult to predict who will end up with the lion's share of the market. Having developed the first personal computer, Apple has achieved the enviable front runner position in the field. But as more companies enter the race, Apple will need to work even harder to maintain its innovative edge.

Madeleine Dreyfack

Media Whiz Quiz for marketing computers, cameras, cars, fine liquors, home electronics....

Which sports–minded publication has the most affluent audience?

Publication*	HHI Median	HHI $25,000+	HHI $35,000+
The Sporting News	$29,178	56%	41%
Sports Illustrated	$26,275	53%	28%
Inside Sports	$25,321	51%	29%
Playboy	$24,051	47%	26%
Sport	$22,521	43%	23%

*Ranked by Median Household Income, Total Adult Audience, SMRB 1981/82

Surprised? Take a look at other key demographics and check CPMs. Both SMRB and MRI agree this weekly is a winner. An overnight success after 96 years. Find out about all of our surprising advantages.
In New York call **212-490-6610.**

CORPORATE

15 TOP MARKETING SUCCESSES 1981

Mobil

They speak their mind

Mobil Oil, second largest corporation in the U.S., may well have the loudest voice. Under the feisty direction of master idea merchandiser Herb Schmertz, Mobil's thoughts on everything from media access to nuclear power ring noisily in the minds of those individuals who form the nation's policies. Going into its tenth year, the Op-ed campaign may not have made many friends — something that doesn't bother Herb Schmertz in the least — but it has contributed to a wide array of debates.

From the sixth floor of its world headquarters, high above the snarl of New York's 42nd Street, Mobil Oil speaks to the world.

It's here that the public relations and advertising departments churn out weekly opinion pieces on what Mobil thinks about the world oil situation, government regulation, nuclear power, decontrol of oil and natural gas, and the need for increased energy exploration.

Indeed, Mobil's idea peddlers will broach just about any subject that affects the company — and for one of the country's largest industrial giants in the midst of a world energy revolution, that is just about any topic under the sun.

Mobil's weekly op-ed campaign, born before the 1972 petroleum shortage, is celebrating a tenth anniversary. During those ten years, no other major advertising campaign has generated as much controversy or major media news coverage as Mobil's. The campaign has collected a fair share of admirers along the way, as well, but few imitators. One reason: Mobil's voice is distinctive and highly idiosyncratic — reflecting the personality of the company's top brass.

Another reason: competitors are not sure that it works. "The question I would ask," says a cautious admirer at a rival oil company, "is whether or not people respond positively or negatively to their op-ed ads. They certainly get a lot of attention, which is unusual in the industry. That delights the people at Mobil." He adds, "Our advertising represents our character — careful and moderate."

Has the exercise in verbal persuasion, which costs Mobil nearly $6.5 million per year, been successful?

Says vp-public affairs Herb Schmertz, a man who displays no discernable signs of regret: "If you went back over ten years you would find

Mobil

Herb Schmertz, vp-public relations

Doyle Dane Bernbach

that many of the things that we have espoused and which were unpopular or criticized at the time have now become pretty well accepted."

Schmertz does not mean to suggest that Mobil's advocacy has been solely responsible for the change in events, but he does believe that the company's willingness "to participate in the debate," as he puts it, has led to a constructive metamorphosis in Washington, a metamorphosis that is now favorably disposed to the oil industry.

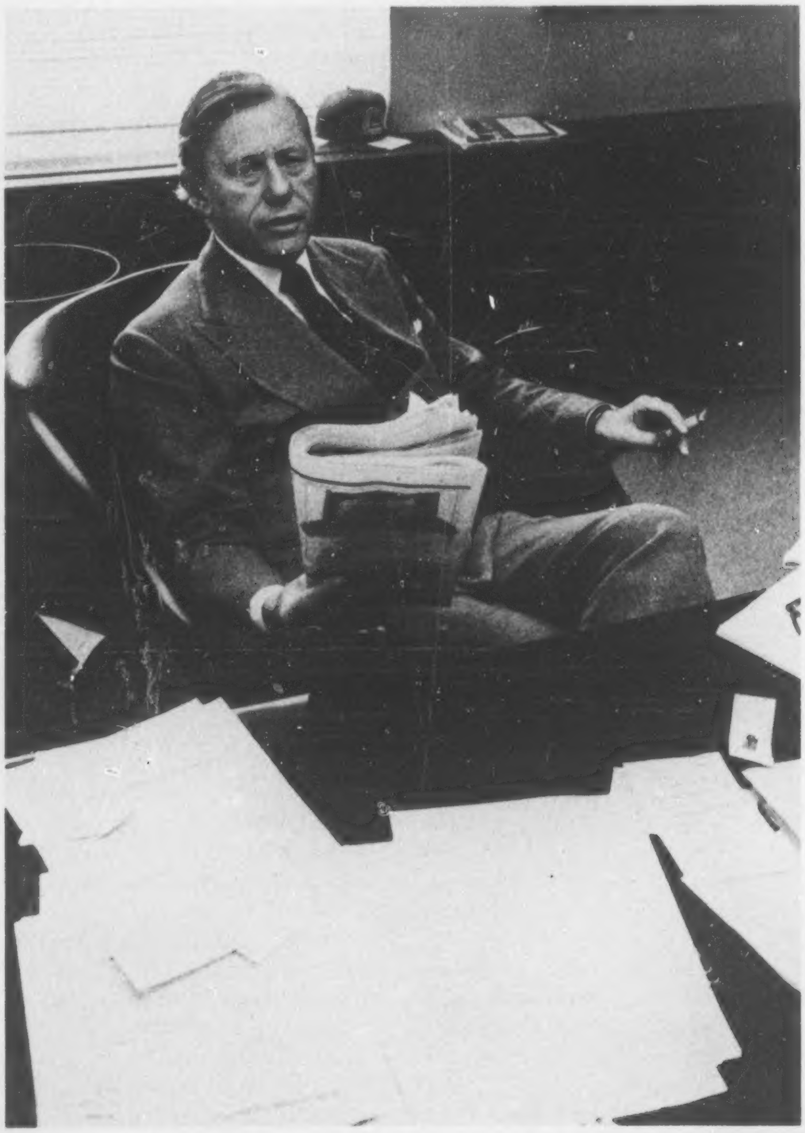
Advocating a position — and seeking its end — has no doubt formed the core of Mobil's public relations *raison d'etre*. But the company also lays claim to a more altruistic aim, not measureable by any yardstick — defending big oil.

In 1978, in a lengthy apology to employees for what by then had become a highly charged campaign in the midst of a major oil shortage, chairman Rawleigh Warner explained: "What is the posture of an industry that, even when seriously threatened, is unwilling to defend itself publicly? Who will come to our defense if we are not willing to stand up for ourselves? The answer is nobody . . .

"We felt a strong need to have a voice in this debate and to engage in the dialogue. Unfortunately it has been a lonely voice. But I am convinced that if *we* had not spoken up, *nobody* would have spoken up."

The backdrop to Warner's stockholder and employee message was the oil crisis, but more importantly, a Congress and President hostile to the aims of Mobil. Jimmy Carter had just called Mobil "perhaps the most irresponsible company in America" after it had advocated that the tax on "old" or already discovered crude be maintained and slowly lifted while there be no tax on new oil discovered. Carter's

Op-ed king Herb Schmertz says it like he sees it



Mobil, as with any large company, has many sides to its personality. Unlike the majority of its big league peers, however, Mobil reveals its multi-faceted visage each week to those who care to read about it.

Like an irascible, opinionated columnist, Mobil uses the Op-ed ad to discuss some highly charged debate or controversy — if it impinges on the fate of Mobil.

And if Mobil itself is maligned by the media or some politician (once by Jimmy Carter) it is quick to send back salvos in its "column."

The ad has been assigned other purposes as well: often it will operate as a communications line to company employees — discussing, for example, company annuities. It will serve as a tune-in ad on occasion — especially when a new series on public tv kicks off. Sometimes its prose will wax eloquent in a discussion of natural wonders — and how Mobil is enhancing them.

But Mobil is most comfortable in the role of combatant. A reason for this personality quirk is Herb Schmertz himself, Mobil's resident columnist and mouthpiece (Schmertz on occasion will personally pen a column, but the task is normally left to a group of writers under his supervision.)

Schmertz, who incorporates the qualities of high toned intellectual with the street-wise tough guy, came to Mobil in 1966 to head the ire was aroused by the fact that Mobil was intent on seeking new domestic reserves of oil of its own.

Meantime, the oil industry was in the throes of price decontrol. The news media, particularly tv, was giving undue attention to government sources in covering the energy shortage, according to Mobil, and not taking serious account of the oil company's side.

"Scandal and rumor have thrived," wrote Schmertz on media coverage of big oil in a 1979 article in *Fortune*. "They have shock value and are simply more fun to read. They produce heros and facile answers . . . The failure of American journalism is this: it has felt free to report the gossip and recriminations but has done little to expose the political motivations that gives rise to them. Herein lies the information gap."

Filling the "information gap" was the task of the op-ed ad campaign. Every Thursday an ad appears in the corner of the New York *Times* op-ed page; about 11 dailies and *Time* get the ad a day later. *Observations*, an easier-to-digest column that reflects the op-ed themes appears in *Parade, Family Weekly* and 18 newspapers.

The heart of Mobil's tv ad campaign lies in *Mobil Showcase*. It came out of the networks' repeated refusal to air any Mobil ad that vaguely smacked of controversy; the company then planted its own commercials on commercial tv through a vehicle of classy theater presentations. Ads, two and one half to four minutes in length, appear on the shows. Mobil buys station time for cash and the station is required to run the ads in the show.

A further addition to the advocacy umbrella was made two years ago when WPIX-TV in New York created a nightly half hour news presentation to run on a string of independent sta-

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corporate labor relations department after honing his skills for debate at the Federal Mediation and Conciliation Service.

He left public relations in 1973 to preside over the Mobil Shipping and Transportation Company but returned to p.r. one year later.

Since then, Schmertz has left an indelible stamp on Mobil's ad program, which is perhaps better known for him than for its ads.

Rather than cozy up to the media, which is what many p.r. departments assiduously work at, Schmertz and his Mobil idealogues search out errors and weaknesses.

When they find them, they trumpet them: an example is television's coverage of the energy crisis in the early seventies. In those days network news departments had few if any experts on the energy business. Coverage was often left to general assignment reporters who often had no expertise in economic reporting — coverage was often full of rumors.

Schmertz repeatedly hammered away at the news organizations — and created his own news stories.

But Schmertz, who sees his mission in exalted terms, has no regrets: "There are lots of instances in history when groups or individuals who espoused things that were unpopular were later proven to have made a significant contribution. I would like to think that is us."

Why do we buy this space?

For more than 11 years now, we've been addressing Americans with weekly messages in principal print media. We've argued, cajoled, thundered, pleaded, reasoned and poked fun. In return, we've been reviled, revered, held up as a model and put down as a sorry example.

Why does Mobil choose to expose itself to these weekly judgments in the court of public opinion? Why do we keep it up now that the energy crisis and the urgent need to address energy issues has eased, at least for the present? When our problems are with cost-cutting and increasing productivity, not with voters, politicians and customers?

Our answer is that business needs voices in the media, the same way labor unions, consumers, and other groups in our society do. Our nation functions best when economic and other concerns of the people are subjected to rigorous debate. When our messages add to the spectrum of facts and opinion available to the public, even if the decisions are contrary to our preferences, then the effort and cost are worthwhile.

Think back to some of the issues in which we have contributed to the debate.

- Excessive government regulation—it's now widely recognized that Washington meddling, however well intentioned, carries a price tag that the consumer pays.
- The folly of price controls—so clear now that prices of gasoline and other fuels are coming down, now that the marketplace has been relieved of most of its artificial restraints.
- The need for balance between maintaining jobs and production and maintaining a pristine environment—a non-issue, we argued, if there's common sense and compromise on both sides, a view that's now increasingly recognized in Washington.

Over the years, we've won some and lost some, and battled to a draw on other issues we've championed, such as building more nuclear power plants and improving public transportation. We've supported presidents we thought were right in their policies and questioned Democrats and Republicans alike when we thought their policies were counterproductive.

In the process we've had excitement, been congratulated and castigated, made mistakes, and won and lost some battles. But we've enjoyed it. While a large company may seem terribly impersonal to the average person, it's made up of people with feelings, people who care like everybody else. So even when we plug a quality TV program we sponsor on public television, we feel right about spending the company's money to build audience for the show, just as we feel good as citizens to throw the support of our messages to causes we believe in, like the Mobil Grand Prix, in which young athletes prepare for the 1984 Olympics. Or recognition for the positive role retired people continue to play in our society.

We still continue to speak on a wide array of topics, even though there's no immediate energy crisis to kick around anymore. Because we don't want to be like the mother-in-law who comes to visit only when she has problems and matters to complain about. We think a continuous presence in this space makes sense for us. And we hope, on your part, you find us informative occasionally, or entertaining, or at least infuriating. But never boring. After all, you did read this far, didn't you?

Mobil

tions around the country, the Independent Network News. A charter advertiser, Mobil created newscast look-alike ads that "give the other side of the energy story."

These ads, true to Mobil's tradition, have created controversy. Purists argue that the oil company is stepping beyond the bounds of advertising propriety when its ads reflect the program content, particularly when the content happens to be news. Mobil argues that the ads are clearly identified as Mobil pieces — indeed, Mobil's name figures prominently in these mini-"news" pieces on the "other energy story."

The question of success

Mobil's criteria for success, according to Herb Schmertz, is fairly simple: "We really look at whether our participation in the dialogue has had some impact on the decision making process. We will count our activities successful if we can conclude that we've been able to participate in the dialogue."

Others use different criteria. Prakash Sethi, pofessor of business and social policy at the University of Texas and author of numerous studies on advocacy advertising, asks: "do people know about Mobil's advertising? Are they aware of it? The answer is yes. But do people like the company any better? Has Mobil changed attitudes? Do government leaders feel they are better informed? I can't tell you."

A reporter who covers the energy business for a major national publication has a different perspective: "Mobil's succeeded in getting people to believe that the company is run by a bunch of intellectuals as opposed to some guys down on the oil patch."

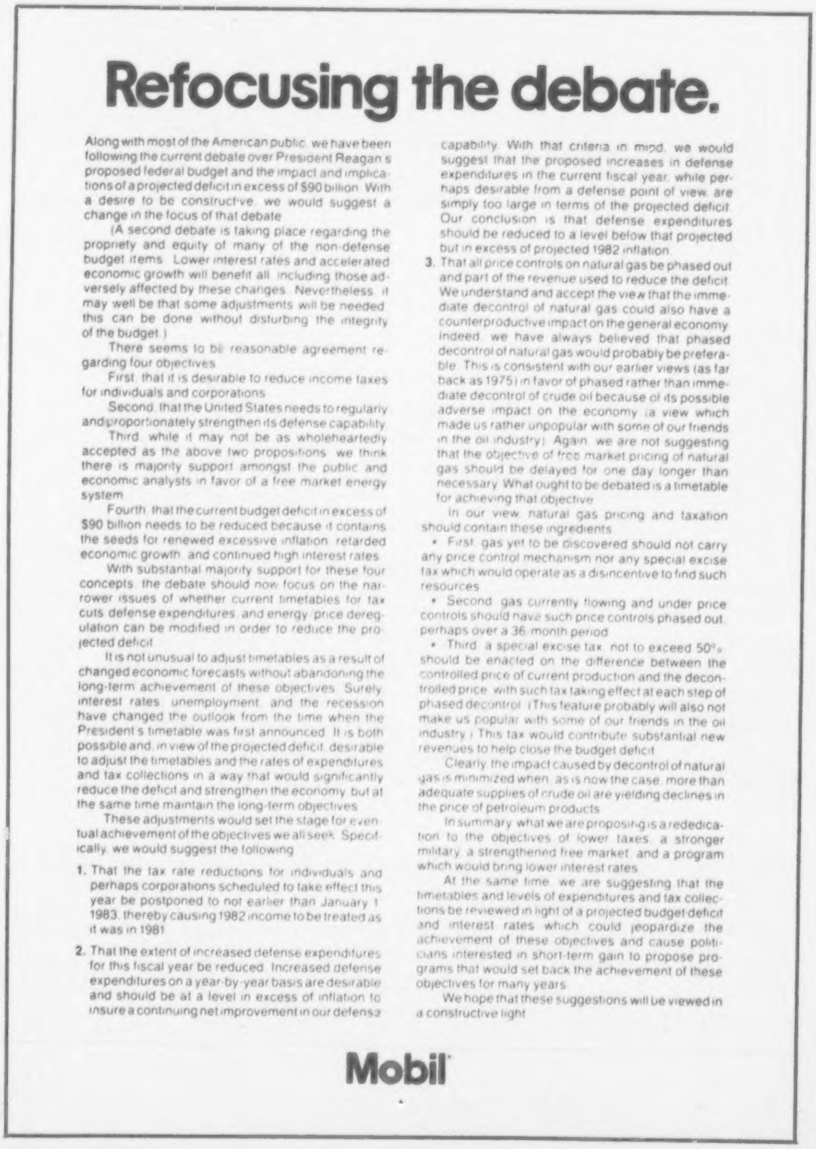
Whether Mobil is liked or not as a result of advocacy advertising is incidental, says Schmertz. "One of the things we do *not* look at as a result of our activity is popularity. We really look at whether our participation in the dialogue has had some impact on the decision making process."

According to this measure, Mobil has had more than its share of success, says Schmertz. He points to numerous cases in which Mobil advocated an unpopular position that later turned out to be true: "We foresaw the whole damage to the auto industry in a series of ads we ran called the $66 billion mistake. For years we were running ads about the counter-productiveness of government regulation. As early as 1970 we were warning people about the over-dependence on foreign oil and the need to develop a domestic energy industry . . . We virtually predicted the Middle East War and everybody said we were hysterical. Many of the things we trumpeted early have now become pretty well accepted."

Perhaps another secret to success is that it is actually hard to *ignore* Mobil's advertising. Even Mobil's greatest detractors would admit this. Mobil's voice is part of any debate that centers on media access, the quality of network tv news coverage, and other hot issues. To those who do ignore Mobil's ads, simply because they are Mobil's, Schmertz has little to say: "The politician that says, 'I will not accept views or the source when I see the name at the bottom' is knee-jerking

Schmertz and other members of Mobil's corporate suite sometimes will write their own ad. "Refocusing the debate" represents one of Schmertz's own efforts.

In it he discusses the difficulties of Reagan's massive budget cut and its implications for a $90 billion deficit. Tax reductions and defense spending are touched on, but the bulk of the ad is devoted to one of Mobil's own interests — and its own suggestions for reducing the debt.



Refocusing the debate.

Along with most of the American public, we have been following the current debate over President Reagan's proposed federal budget and the impact and implications of a projected deficit in excess of $90 billion. With a desire to be constructive, we would suggest a change in the focus of that debate.

(A second debate is taking place regarding the propriety and equity of many of the non-defense budget items. Lower interest rates and accelerated economic growth will benefit all, including those adversely affected by these changes. Nevertheless, it may well be that some adjustments will be needed; this can be done without disturbing the integrity of the budget.)

There seems to be reasonable agreement regarding four objectives.

First, that it is desirable to reduce income taxes for individuals and corporations.

Second, that the United States needs to regularly and proportionately strengthen its defense capability.

Third, while it may not be as wholeheartedly accepted as the above two propositions, we think there is majority support amongst the public and economic analysts in favor of a free market energy system.

Fourth, that the current budget deficit in excess of $90 billion needs to be reduced because it contains the seeds for renewed excessive inflation, retarded economic growth, and continued high interest rates.

With substantial majority support for these four concepts, the debate should now focus on the narrower issues of whether current timetables for tax cuts, defense expenditures, and energy price deregulation can be modified in order to reduce the projected deficit.

It is not unusual to adjust timetables as a result of changed economic forecasts without abandoning the long-term achievement of these objectives. Surely, interest rates, unemployment, and the recession have changed the outlook from the time when the President's timetable was first announced. It is both possible and, in view of the projected deficit, desirable to adjust the timetables and the rates of expenditures and tax collections in a way that would significantly reduce the deficit and strengthen the economy, but at the same time maintain the long-term objectives.

These adjustments would set the stage for eventual achievement of the objectives we all seek. Specifically, we would suggest the following:

1. That the tax rate reductions for individuals and perhaps corporations scheduled to take effect this year be postponed to not earlier than January 1, 1983, thereby causing 1982 income to be treated as it was in 1981.
2. That the extent of increased defense expenditures for this fiscal year be reduced. Increased defense expenditures on a year-by-year basis are desirable and should be at a level in excess of inflation to insure a continuing net improvement in our defense capability. With that criteria in mind, we would suggest that the proposed increases in defense expenditures in the current fiscal year, while perhaps desirable from a defense point of view, are simply too large in terms of the projected deficit. Our conclusion is that defense expenditures should be reduced to a level below that projected but in excess of projected 1982 inflation.
3. That all price controls on natural gas be phased out and part of the revenue used to reduce the deficit. We understand and accept the view that the immediate decontrol of natural gas could also have a counterproductive impact on the general economy. Indeed, we have always believed that phased decontrol of natural gas would probably be preferable. This is consistent with our earlier views (as far back as 1975) in favor of phased rather than immediate decontrol of crude oil because of its possible adverse impact on the economy (a view which made us rather unpopular with some of our friends in the oil industry). Again, we are not suggesting that the objective of free market pricing of natural gas should be delayed for one day longer than necessary. What ought to be debated is a timetable for achieving that objective.

In our view, natural gas pricing and taxation should contain these ingredients:

- First, gas yet to be discovered should not carry any price control mechanism nor any special excise tax which would operate as a disincentive to find such resources.
- Second, gas currently flowing and under price controls should have such price controls phased out, perhaps over a 36-month period.
- Third, a special excise tax, not to exceed 50%, should be enacted on the difference between the controlled price of current production and the decontrolled price, with such tax taking effect at each step of phased decontrol. (This feature probably will also not make us popular with some of our friends in the oil industry.) This tax would contribute substantial new revenues to help close the budget deficit.

Clearly, the impact caused by decontrol of natural gas is minimized when, as is now the case, more than adequate supplies of crude oil are yielding declines in the price of petroleum products.

In summary, what we are proposing is a rededication to the objectives of lower taxes, a stronger military, a strengthened free market, and a program which would bring lower interest rates.

At the same time, we are suggesting that the timetables and levels of expenditures and tax collections be reviewed in light of a projected budget deficit and interest rates which could jeopardize the achievement of these objectives and cause politicians interested in short-term gain to propose programs that would set back the achievement of these objectives for many years.

We hope that these suggestions will be viewed in a constructive light.

Mobil

and doing his constituency a terrible disservice. Besides, I'm sure I can show you ads that the politician would support."

The audience for op-ed is diverse, but mainly composed of "opinion leaders," educators, politicians, columnists, reporters, and sometimes even the President. During the debate over sale of AWAC aircraft to Saudi Arabia in the Senate, Mobil stated in an ad the importance of doing business with the Saudis.

One reader suggests that the ads seem to be directed at a Saudi Arabian audience. Schmertz disagrees: "Believe it or not, our motivation was what was good for the United States."

Ads will be directed towards stockholders and employees sometimes.

Though op-ed's are directed at an audience that probably already has its ideas formed, Mobil doesn't ignore those whose ideas are in formative stages. The number of people who neither agree or disagree with Mobil is huge, says Schmertz; they approach the company's arguments on their "merit."

These readers are reached through the "Observations" columns as well as op-eds. "Observations" soft peddles the same ideas presented in op-eds: the reader is given a mellifluosly worded statement on the failure, for example, of the networks in covering the energy crisis. Cartoons by *New Yorker* cartoonists hired on a free lance basis appear with the text — and the pieces conclude with a quasi-Ripley's "believe it or not" factual nugget on some facet of the oil industry.

Art work is an important part of the column as well, although Mobil research has found that readers are less likely to read it if the art portrays an oil derrick or some technological wonder. To make it more accessible, children and natural scenes are frequently portrayed.

Op-eds and "Observations" share roughly five basic themes: free-market economics, opposition to flexible price controls, the need for corporate media access, conservation balanced with the development of energy resources, and other energy topics. Current major themes include de-control of natural gas and relaxation of the Clean Air Act.

How it works

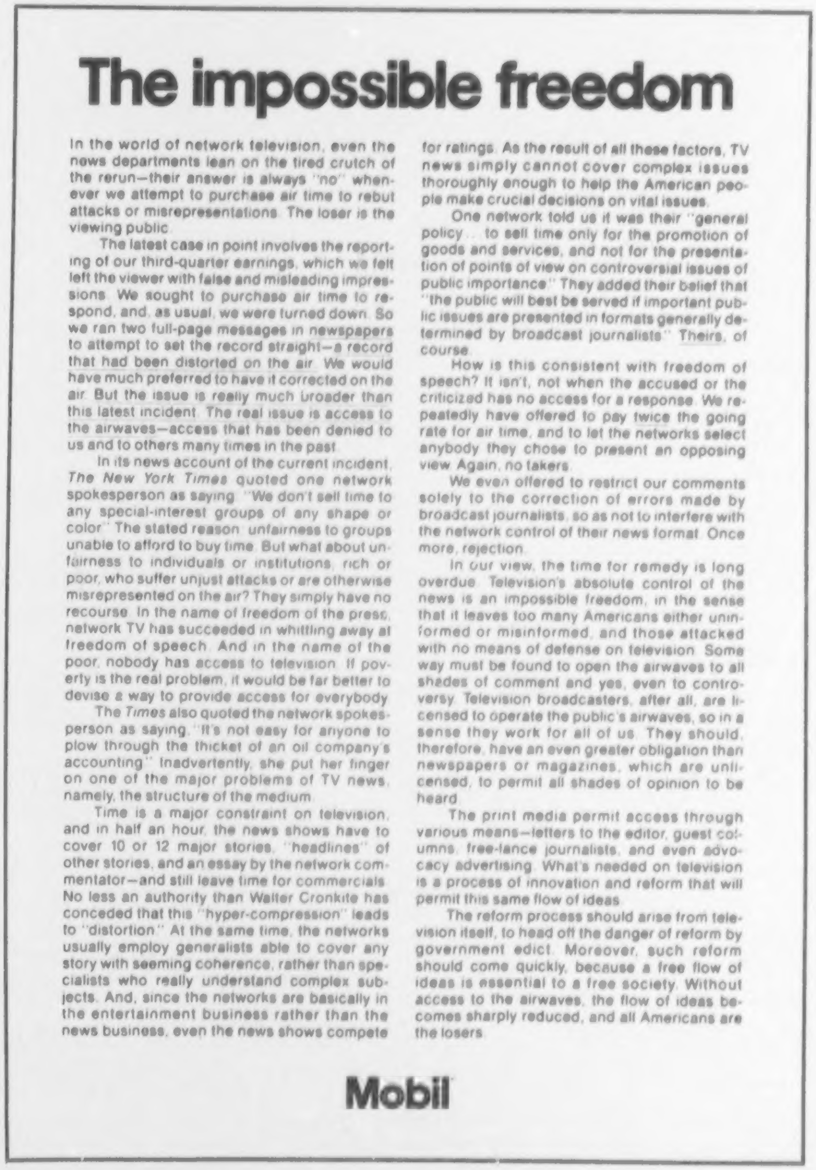
Op-ed is the soul of Mobil's media operation, with the exception of its public tv efforts, which Mobil administers separately.

One op-ed ad decried tv's failure in covering the energy shortage and produced a Media Institute report that elaborated on the failure. An "Observations" column then offered a general analysis of the problem of media coverage.

Op-eds reflect the news. During the lengthy debates on budget modifications and the controversy over

Mobil was irked by the networks' report on third quarter profits of the oil companies in 1979. Brief statements on huge profits tended to support a general public impression on the venality and greed of the seven sisters. Mobil was not mute in its unhappiness, as "The impossible freedom" demonstrates. But the networks, not surprisingly, refused an ad on tv's profits.

Says Schmertz on the networks and their "fairness" policy: "You can go in there and talk about the virtues of John Maynard Keynes versus Adam Smith in an ad and they'd take that. But go in there and talk about the need for nuclear power or off-shore drilling or anything contemporary or contentious — and its a joke."



The impossible freedom

In the world of network television, even the news departments lean on the tired crutch of the rerun—their answer is always "no" whenever we attempt to purchase air time to rebut attacks or misrepresentations. The loser is the viewing public.

The latest case in point involves the reporting of our third-quarter earnings, which we felt left the viewer with false and misleading impressions. We sought to purchase air time to respond, and, as usual, we were turned down. So we ran two full-page messages in newspapers to attempt to set the record straight—a record that had been distorted on the air. We would have much preferred to have it corrected on the air. But the issue is really much broader than this latest incident. The real issue is access to the airwaves—access that has been denied to us and to others many times in the past.

In its news account of the current incident, *The New York Times* quoted one network spokesperson as saying: "We don't sell time to any special-interest groups of any shape or color." The stated reason: unfairness to groups unable to afford to buy time. But what about unfairness to individuals or institutions, rich or poor, who suffer unjust attacks or are otherwise misrepresented on the air? They simply have no recourse. In the name of freedom of the press, network TV has succeeded in whittling away at freedom of speech. And in the name of the poor, nobody has access to television. If poverty is the real problem, it would be far better to devise a way to provide access for everybody.

The *Times* also quoted the network spokesperson as saying, "It's not easy for anyone to plow through the thicket of an oil company's accounting." Inadvertently, she put her finger on one of the major problems of TV news, namely, the structure of the medium.

Time is a major constraint on television, and in half an hour, the news shows have to cover 10 or 12 major stories, "headlines" of other stories, and an essay by the network commentator—and still leave time for commercials. No less an authority than Walter Cronkite has conceded that this "hyper-compression" leads to "distortion." At the same time, the networks usually employ generalists able to cover any story with seeming coherence, rather than specialists who really understand complex subjects. And, since the networks are basically in the entertainment business rather than the news business, even the news shows compete for ratings. As the result of all these factors, TV news simply cannot cover complex issues thoroughly enough to help the American people make crucial decisions on vital issues.

One network told us it was their "general policy ... to sell time only for the promotion of goods and services, and not for the presentation of points of view on controversial issues of public importance." They added their belief that "the public will best be served if important public issues are presented in formats generally determined by broadcast journalists." Theirs, of course.

How is this consistent with freedom of speech? It isn't, not when the accused or the criticized has no access for a response. We repeatedly have offered to pay twice the going rate for air time, and to let the networks select anybody they chose to present an opposing view. Again, no takers.

We even offered to restrict our comments solely to the correction of errors made by broadcast journalists, so as not to interfere with the network control of their news format. Once more, rejection.

In our view, the time for remedy is long overdue. Television's absolute control of the news is an impossible freedom, in the sense that it leaves too many Americans either uninformed or misinformed, and those attacked with no means of defense on television. Some way must be found to open the airwaves to all shades of comment and yes, even to controversy. Television broadcasters, after all, are licensed to operate the public's airwaves, so in a sense they work for all of us. They should, therefore, have an even greater obligation than newspapers or magazines, which are unlicensed, to permit all shades of opinion to be heard.

The print media permit access through various means—letters to the editor, guest columns, free-lance journalists, and even advocacy advertising. What's needed on television is a process of innovation and reform that will permit this same flow of ideas.

The reform process should arise from television itself, to head off the danger of reform by government edict. Moreover, such reform should come quickly, because a free flow of ideas is essential to a free society. Without access to the airwaves, the flow of ideas becomes sharply reduced, and all Americans are the losers.

Mobil

Don Stroetzel, manager of communications programing, Mobil

defense spending, Mobil issued its own proposals entitled "Refocusing the debate." This is essential to the success of the campaign, according to Don Stroetzel, manager communications programs, whose professorial appearance belies his central role in Mobil's controversial advertising.

The news "pre-sells" the op-ed themes. One example Stroetzel points to was President Carter's accusation that Mobil is irresponsible." Carter inadvertently operated as a press agent for the company — headlines were created and news writers studied Mobil's response entitled, "Sorry Mr. President, you've been misled."

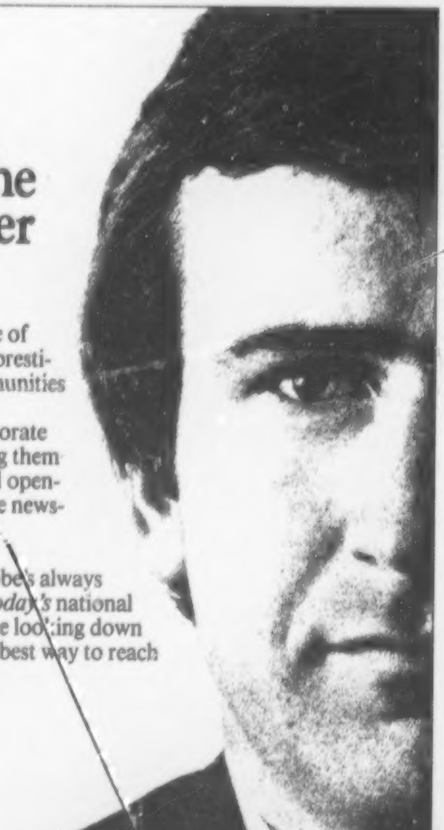
The public relations operation is set up much like a weekly news magazine. Five editorial writers hired away from publications like the New York *Times* and *Time* Magazine (Stroetzel himself was an editor on the now defunct *Pathfinder)* coin ideas which are then submitted to Don Tuckman, who operates somewhat like a managing editor. He sifts through each and decides which ones to develop. Ads that get the go-ahead are then written — in tandem with the research department.

Research's role is elemental in the process, says Stroetzel. Indeed, Mobil has a research facility many newspapers would covet. Called Secretariat, Mobil has instant access to thousands of articles on the energy situation and related subjects that appeared in major national dailies.

Judith Moncrieff heads research. With a back-up staff, she screens each ad for factual errors or inconsistencies.

No strict deadline is put on submission of written copy though most are written by Friday, researched by Monday, and submitted for top brass approval by Tuesday. If there are objections, the columns are sent back and revised according to specifications. By Wednesday, the ad is ready, sent to Doyle Dane Bernbach for trafficking, and the New York *Times* prints it the following day.

Often ideas for the ads come from the executive suite. These suggestions — not surprisingly — have priority. The role of the company's directors in the entire p.r. program is elemental. Says Stroetzel, "Rawleigh Warner personally approves every ad that goes into our program. The important thing



At 26, Tom Gregory became the Director of Client Services at The Saddlebrook Corporation. You better make sure he has your input.

Tom Gregory, age 27. Harvard Business School graduate 1977. As Director of Client Services at The Saddlebrook Corporation, a leader in minicomputer-based financial planning and control systems, he's one of the youngest business powers in high technology today.

With more colleges than any given area in the United States, Boston can attract more young people, and thus, share in the onset of more important new careers than almost any other city.

Unfortunately, exceptional young adults like Tom Gregory may not stay in Boston forever. But no matter where they go, they'll be industry leaders with strong, established and influential opinions, and the experience of working in one of the most prestigious high technology communities in the country.

If you tell them your corporate story now, you'll be reaching them while they're still young, still open-minded, and still reading one newspaper more than any other.

The Boston Globe.

In New England, The Globe's always been the best way to reach *today's* national opinion leaders. But if you're looking down the road as well, it's also the best way to reach the leaders of tomorrow.

Tell your corporate story in
The Boston Globe
A wholly owned subsidiary of Affiliated Publications, Inc.
A Million Market Newspaper.

Tony DeNegro, manager media programing, Mobil

is that management is sympathetic to the program. They are willing to devote time to it on a priority basis. If you don't have that, you can't have a decent advocacy program."

The presence of Herb Schmertz on the sixth floor is testament to this. Also a director of the corporation, Schmertz operates like a weathervane for Mobil's ideology. Schmertz decides what Mobil ultimately will show the world, after Warner and President W. P. Tavoulareas. By using this structure Mobil ensures that the board's opinions will not be at variance with what public relations is to say.

"Mixing the diet" is another thrust of the op-ed campaign. Mobil rarely harps on a single topic for more than two weeks in a row. If a follow-up is planned, a roman numeral "I" is used meaning that number II is on the way.

Getting a fair shake

Mobil's on-going and vociferous battles with the networks will no doubt be written into the history of the medium. These days, though, the combatants have laid down their arms. Mobil thinks it's getting a fairer shake from tv reporters. In the past, if a reporter tweaked Mobil or erred in his or her reporting on the oil industry, Herb Schmertz would ride down on the individual like a herd of wild elephants. A much publicized ad on "hatchet jobs" the oil industry received in a news series turned into a hatchet job on the reporter.

The networks, perhaps in response to the numerous *ad hominen* attacks rained down upon them, have steadfastly refused to air any Mobil ads bearing on any subject of the slightest controversy. The nets argue that the Mobil ads would prompt replies from those seeking free time.

To test this, Schmertz once offered

85.9%

When you're a BPA audited book, and we are, it's the percentage of "personal written request by recipient" that counts.
Our 85.9% is the highest (by far) in its field. So is our 87.3% qualified recipients within the most recently measured 12 months. That's proof positive of reader demand.
But there's more to it than that.
Can we tell you about it?

Marketing & Media Decisions • 342 Madison Avenue • New York, NY 10017 • 212 953-1888

to pay for any time that the opposition demanded. The networks refused. Mobil once submitted what was internally referred to as the "ultimately bland ad": It showed an aerial view of a beach with a voice-over asking viewers to write in if they believed off-shore drilling should be allowed. The networks refused the ad.

Then in 1977 the company hit on the idea of by-passing the networks by creating its own. *The Mobil Showcase* was born.

Tony De Nigro, manager of media programs, approached SFM Media Corporation to arrange station clearance for the first series production, *Ten Who Dared*. Since then, the Mobil Showcase has featured eight productions for commercial tv. They included *When Havoc Struck, Edward the King, Edward and Mrs. Simpson, Summershow, Churchill and the Generals, Why Didn't They Ask Evans?, The Seven Dials Mystery*, and *The Children's Story*, which ran in February of this year. Mobil's big production for 1983, *Nicolas Nickleby*, will be in four two-hour segments.

Two to three minutes of advertising run in each show per hour, none of it for local sale. The program cost Mobil $3.5 million in clearance time in 1981.

A series of fables, which De Nigro claims was the original form of advocacy, beginning with Aesop, were produced for the Showcase presentations. Two and a half minutes in length, they are both eery and amusing. One features a group of feline creatures tasting food for poison before it goes onto the king's table. They gobble up everything before the king gets a chance to eat. Finally the cooks leave the country in frustration and the king shrivels up. The moral: over-regulation is destructive.

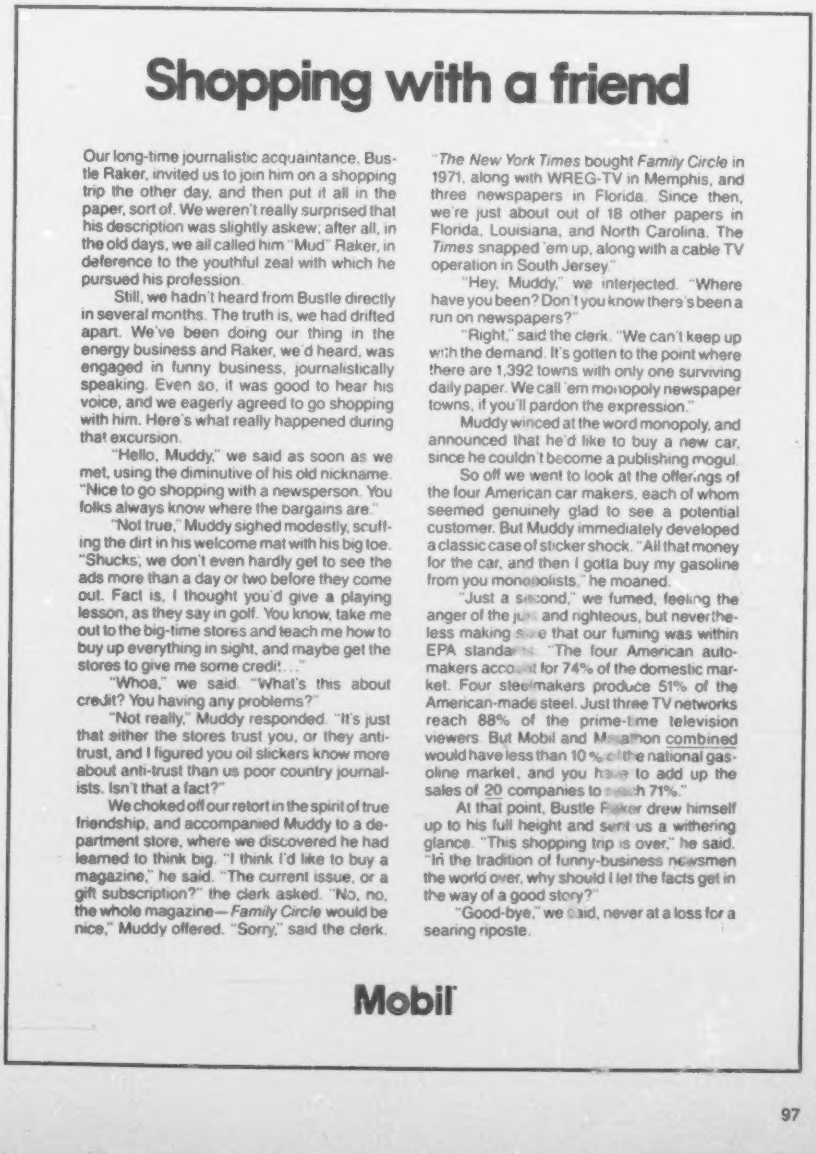
The "Mobil Information Center" ad campaign, like the Showcase, grew out of a grudge Mobil had against the networks. Says De Nigro, "It came up about two and a half years ago when we did a spot on our last quarter profits. The nets said our profits were obscene. We produced this spot which said we were making 5.5 cents per gallon of gasoline sold. We produced a commercial that said our rate of return was lower than that of ABC, CBS or NBC. They all rejected the ad."

This time the networks — without intending to — acted as press agents for Mobil. Several major dailies picked up the network rejection story and suddenly stations across the country called in saying they would be glad to run the spot, regardless of net policy. Mobil cherry-picked some stations and bought time on WPIX's Independent Network News. The ads ran five times per week. "Figures indicate that we are reaching 25 million homes per month," says De Nigro.

"These ads are not news casts," he says. "But we wanted to get a format for the ads that gave them the kind of credibility that you would see on a newscast."

Mobil pegged $2.6 million for the Information Center ads in 1981.

Verne Gay



Shopping with a friend

Our long-time journalistic acquaintance, Bustle Raker, invited us to join him on a shopping trip the other day, and then put it all in the paper, sort of. We weren't really surprised that his description was slightly askew; after all, in the old days, we all called him "Mud" Raker, in deference to the youthful zeal with which he pursued his profession.

Still, we hadn't heard from Bustle directly in several months. The truth is, we had drifted apart. We've been doing our thing in the energy business and Raker, we'd heard, was engaged in funny business, journalistically speaking. Even so, it was good to hear his voice, and we eagerly agreed to go shopping with him. Here's what really happened during that excursion.

"Hello, Muddy," we said as soon as we met, using the diminutive of his old nickname. "Nice to go shopping with a newsperson. You folks always know where the bargains are."

"Not true," Muddy sighed modestly, scuffing the dirt in his welcome mat with his big toe. "Shucks, we don't even hardly get to see the ads more than a day or two before they come out. Fact is, I thought you'd give a playing lesson, as they say in golf. You know, take me out to the big-time stores and teach me how to buy up everything in sight, and maybe get the stores to give me some credit..."

"Whoa," we said. "What's this about credit? You having any problems?"

"Not really," Muddy responded. "It's just that either the stores trust you, or they anti-trust, and I figured you oil slickers know more about anti-trust than us poor country journalists. Isn't that a fact?"

We choked off our retort in the spirit of true friendship, and accompanied Muddy to a department store, where we discovered he had learned to think big. "I think I'd like to buy a magazine," he said. "The current issue, or a gift subscription?" the clerk asked. "No, no, the whole magazine—*Family Circle* would be nice," Muddy offered. "Sorry," said the clerk. "*The New York Times* bought *Family Circle* in 1971, along with WREG-TV in Memphis, and three newspapers in Florida. Since then, we're just about out of 18 other papers in Florida, Louisiana, and North Carolina. The *Times* snapped 'em up, along with a cable TV operation in South Jersey."

"Hey, Muddy," we interjected. "Where have you been? Don't you know there's been a run on newspapers?"

"Right," said the clerk. "We can't keep up with the demand. It's gotten to the point where there are 1,392 towns with only one surviving daily paper. We call 'em monopoly newspaper towns, if you'll pardon the expression."

Muddy winced at the word monopoly, and announced that he'd like to buy a new car, since he couldn't become a publishing mogul.

So off we went to look at the offerings of the four American car makers, each of whom seemed genuinely glad to see a potential customer. But Muddy immediately developed a classic case of sticker shock. "All that money for the car, and then I gotta buy my gasoline from you monopolists," he moaned.

"Just a second," we fumed, feeling the anger of the just and righteous, but nevertheless making sure that our fuming was within EPA standards. "The four American automakers account for 74% of the domestic market. Four steelmakers produce 51% of the American-made steel. Just three TV networks reach 88% of the prime-time television viewers. But Mobil and Marathon combined would have less than 10% of the national gasoline market, and you have to add up the sales of 20 companies to reach 71%."

At that point, Bustle Raker drew himself up to his full height and sent us a withering glance. "This shopping trip is over," he said. "In the tradition of funny-business newsmen the world over, why should I let the facts get in the way of a good story?"

"Good-bye," we said, never at a loss for a searing riposte.

Mobil

Russell Baker, the New York *Times'* Pulitzer prize-winning columnist, is not sacrosanct in the eyes of Op-ed. This ad was prompted after a column by Baker jested about Mobil's attempted take-over of Marathon Oil Corporation. Explains Schmertz: "We wanted to be humorous. He had poked fun at us; so we decided to tweek him."

Mobil has barbed other columnists. For example, after Jim Ridgeway and Alex Cockburn of the Village *Voice* in New York parodied Mobil's op-ed in one of their columns, Mobil responded in kind by writing an ad that spoke of the exploits of Jim Valleyway and Alex Heartburn.

FINANCE

15 TOP MARKETING SUCCESSES 1981

The bull who walks by himself

The 'breed apart' concept affects everything that Merrill Lynch does — and is dramatically symbolized in advertising by its bull. They're the biggest and most innovative Wall Street firm during a period of great expansion and diversification among financial houses.

MERRILL LYNCH

John Fitzgerald, vp-corporate communications
Jim Walsh, advertising manager
John Steffens, sen. vp-director of marketing

Young & Rubicam

Merrill Lynch's famous bull ambles through a maze of haystacks. The glare of the sun on the amber hues catches this big, strong and confident animal's imagination. He espies a particular haystack. Digging in his hoofs, he searches for something. Therein lies a golden needle.

A second scenario: the bull visits a greenhouse. All is in luscious bloom, from exotic flowers to vegetables.

Jim Walsh, Merrill Lynch's advertising manager, chuckles as he describes the company's allegorical commercials.

He explains that the bull shoulders the weighty task of carrying a prestige image to potential investors not only in

television but also in newspapers, radio, direct mail and magazines — a $20 million effort that makes Merrill Lynch the largest advertiser on Wall Street.

Every Merrill Lynch ad portrays the stockbroker as being "a breed apart" from its competitors. It's true that Merrill Lynch is a leader on the street; from its vantage point of overwhelming national strength, the nation's largest broker is changing the way consumers save, invest and borrow their money.

First to seek broad base

Its leadership has historic origins. Merrill Lynch succeeded in bringing Wall Street to Main Street at a time when the practice of reaching out to a broad base of investors was considered lunacy by many. But founder Charlie Merrill did not think so. He had studied a 1939 Roper public opinion survey, showing wide distrust, disinterest and misunderstanding of the financial markets. Some even thought the Stock Exchange was the place where butchers bought pork chops.

Based on the Roper research and a new study ordered by Merrill that showed what the public wanted in a securities firm, Merrill began constructing a firm that would honor the customer's needs first. The new company introduced itself to the public with the first mass advertising known to the securities business. Most of its competitors still relied on social contacts to develop business.

The initial advertising was aimed to make Merrill's name known as the largest wire house and to gain acceptance of Wall Street in general. But there was an educational effort as well, encouraged by Merrill and implemented by long-time advertising director Louis Engel. Engel put out a series of famous educational ads and pamphlets, teaching people how to invest intelligently. Current ad director Jim Walsh has one of those ads hanging framed in his office.

Merrill Lynch's new policies drew national attention, and before the end of 1940, more than 12,000 new accounts were opened on a base of only 50,000 customers. M-L now has 3.3 million customer accounts.

New diversity of services

But Merrill Lynch has not remained content with commissions earned on the sale of stocks and bonds. Through innovation and aggressiveness, the company's thundering herd is being transformed from a securities operation to a financial services supermarket, attempting to wrap around its customers a wide array of financial services in the newly competitive arena, where traditional barriers between banks, insurance, trust and securities companies are tumbling down.

As these firms blend to form a consolidated financial services industry, Merrill Lynch looms large. The company has the largest money market fund, one of the most significant new financial tools of the seventies. Its popular Ready Assets Trust has over $23 billion in assets.

Another intruder on banking turf is Merrill Lynch's cash management account. When introduced in 1977, it was heralded as the most innovative financial product of the decade. What the cash management account offers is a combined margin account, money

Electronic marketplace at Merrill Lynch is equity trading center, one of its specialties.

The Merrill Lynch network

Merrill Lynch & Co. Inc. • The holding company for this worldwide financial services company.

Merrill Lynch Pierce Fenner & Smith • As the principal subsidiary, it operates within the realm of securities, investments and financing. Last year, it was divided into two separate groups.

Individual services

1) sale and purchase of stocks and bonds for individual investors
2) cash management account
3) individual retirement programs
4) mutual funds
5) money market funds
6) high-yielding certificates
7) tax investment programs
8) high-yield annuities

Capital markets

1) investment banking for corporate, institutional and government clients
2) trading in government securities
3) sale and purchase of commercial paper, certificates of deposit and banker's acceptances
4) over-the-counter trading
5) equipment and real estate financing investments
6) financing for corporations, financial investors and high net-worth individuals

Merrill Lynch Commodities • Facilitates the trading of precious metal, financial instruments and energy futures

Real Estate and Insurance Group • Merrill Lynch provides mortgage protection life insurance sold to homeowners. Through acquiring a number of real estate firms, Merrill Lynch has become the nation's largest corporate owned residential real estate firm. The real estate group also handles commercial and industrial brokerage. Its relocation management operation helps to find housing for transferred employees. Its real estate financing arm provides short-term funds at competitive rates.

market fund and Visa card with check-writing privileges for investors with a deposit of $20,000.

Even though they grumble, arch rival bankers stand in awe. In an often-quoted remark, Walter B. Wriston, board chairman of Citibank, tells what he thinks the bank of the future should be: "Don Regan runs it and it's called Merrill Lynch." Regan is former M-L chairman who became secretary of the U.S. Treasury.

As Merrill Lynch experiments with more and more financial services, it has also entered the insurance, real estate and mortgage businesses, and is handling executive relocations as well.

These are separate subsidiaries, but within Merrill Lynch Pierce Fenner & Smith, the traditional securities operation, still further diversification groundwork has been laid. Last year, MLPF&S, the principal subsidiary, was reorganized to go after two segments of the investing market: individual and institutional investors. The idea is to break away from its strong retail image on the individual side of the business and to come to the fore as a professional, high-quality corporate investment banking firm.

M-L made a major step in that direction by acquiring the securities firm White Weld in 1978, which is prominent in investment banking.

In branching off into capital markets from its strong retail base, Merrill Lynch is straddling more markets than most other brokers. It goes a step beyond brokers such as Goldman Sachs, Solomon Bros., and Morgan Stanley, which hone in on the corporate market, and others like Paine Webber, Bache and E.F. Hutton, who cater to retail customers.

The rapid diversification, led by forward-thinking Don Regan, the chairman who left Wall Street to run the Treasury Department has been so far-flung over the past decade that now only 30% of income comes from commissions on sale of stocks and bonds.

But in this new arena of financial growth, some wonder if Merrill Lynch can keep up the pace that has established its innovative reputation.

Close behind M-L is Prudential, the nation's largest insurer; Sears, the largest retailer; and American Express, the largest travel-related company. Prudential bought Bache; American Express grabbed Shearson; Sears got

Dean Witter — all with the intent of going after the business of the well-heeled investors Merrill Lynch has pinpointed. John Steffens, M-L's vp and director of marketing to individual customers, is not worried: "We see lots of people copying our diversification moves. But we have been developing ours over a ten-year period, so we are further along in understanding the pluses and minuses of going about it," Steffens says.

"It has been the attitude of this firm not to accept things as they are but to try to view them as they will be. If you look at Charlie Merrill bringing Wall Street to Main Street and Don Regan's establishment of our diversification effort, and then you look at what we have done to implement that, I think you would have to say that we are more marketing driven, that we have spent more time thinking about the future," he told us in his expansive offices with a panaromic view of Wall Street and New York harbor.

Such leadership has spun into a powerful force almost impossible to unseat.

"There is a power in being first," says John Fitzgerald, M-L's vp-corporate communications, a newly created position on the holding company level. Fitzgerald, who describes himself as keeper of Merrill Lynch's image is in one of three posts reporting directly to the president. He explains that by being first, Merrill Lynch establishes customer loyalty and, in turn, profitable long-term relationships.

Fitzgerald, who has moved up the Merrill Lynch ranks primarily with marketing responsibilities, sees the going getting tougher.

"Twenty-five years ago, we had a free hand in some market segments. No one else, for example, was interested in the middle income market. But now a number of strong, financial competitors are entering the financial services arena and we are going to have to be on our mettle to hold our leadership spot," he maintains.

An objective: to be separate

There are already subtle signs that Merrill Lynch has stepped on the gas to continue its climb to the top in all financial markets. Its easily recognized "Bullish on America" advertising slogan has been beefed up.

New communications chief

When John Fitzgerald is asked why he was chosen to head up Merrill Lynch's newly created corporate communications function, he answers that he simply was the one who raised his hand.

It really was a lot more serious than that. Fitzgerald occupies one of the most prestigious spots in this giant Wall Street firm, a position that reports directly to the president. It is one of three positions with a direct pipeline to the president.

The reason the job carries such prestige is because Fitzgerald is responsible for carrying Merrill Lynch's image to the public. That is not an easy task as the broker expands to many businesses it has never been in before, such as real estate and insurance.

Fitzgerald says his major responsibility is that of "keeper of the image." He has been at it for less than a year.

"Merrill Lynch has achieved a quality image: that of high standards, honesty, fair dealing and integrity. And that reputation is one that has been growing over a long period of time. There is a possibility when you go into another business and that business is somewhat different from your core business, and it also has a different target market, there is a risk that it could harm your image."

"Let me give you an example," he adds. "If you are in the residential real estate business, which utilizes signs on somebody's lawn to sell the house, that could be considered tasteless by some if the sign isn't handled well. It is a different method of communicating with the public than the securities business. We have to ask ourselves if it is something that will react adversely to our other businesses."

In his overseer's communications role, Fitzgerald is setting up regular monthly meetings with all communications people so that those in real estate will know what is happening in commodities.

"We want to make sure that the messages going to the target market are not diluted in terms of the image Merrill Lynch has already created," Fitzgerald said.

Fitzgerald said he is right for this important, new task because of his strong marketing background at Merrill Lynch and knowledge of its new diversified businesses. He was the director of marketing services — assigned the specific task of reorganizing the securities firm into retail and capital groups. He was also instrumental in establishing a marketing services department for the retail side.

Advertising manager **Jim Walsh** says public opinion research showed that "what was lacking was that we were a first class firm, of stature and of excellence."

"When we did public opinion research we found that most thought of us as having great size, great financial strength, high confidence in the economy and in our capabilities," says ad director Jim Walsh. "What was lacking was that we were a first class firm, a high quality operation, a firm of stature and a firm of excellence."

A new series of ads was conceived to distinguish Merrill Lynch as not only the biggest but also the best. Under the direction of Ogilvy & Mather, the agency that created the highly successful "Bullish on America" campaign, Merrill Lynch's new slogan became, "There's lots of investment firms, but there's only one Merrill Lynch.

"That begins to differentiate Merrill Lynch from its competitors," Walsh says. "We felt that we deserved to be granted those attributes of excellence, so we thought that if we positioned ourselves that way in advertising, the public would apply those attributes to us."

Yet refinements continued. The ten-year-old relationship with Ogilvy & Mather was severed and a new agency, Young & Rubicam, stepped in with a fresh approach. Y & R conceived the current advertising slogan, "A Breed Apart," a concept that not surprisingly, has yet to capture as much public awareness as the "Bullish on America" campaign. The last time that Merrill Lynch used the bullish slogan was in 1976, but there is still over 90% awareness of the campaign.

"It just doesn't seem to go away and we don't want it to," Walsh adds. "It's really a phenomonen."

Tv is image-builder

With an $8 million budget out of the total $20 million outlay for overall advertising, Merrill Lynch's "breed apart" carries the job of maintaining and developing the firm's image. Within that television campaign are subtle references to product-related services.

For example, when the bull unearths the golden needle, the message is the quality of Merrill Lynch's securities research effort. Merrill Lynch has been respected for several years as having the best research department on Wall Street, and by a substantial margin, according to annual selections made by *Institutional Investor* magazine and also *Financial World* magazine.

"Our product really is research. You can't get a better share of IBM at Merrill Lynch than you can get at E.F. Hutton. The attribute that you add is the quality of the research that directs you to it," Walsh explains.

Another Merrill Lynch first: its decision to turn to television advertising to broaden its exposure in 1970. The ads supported M-L's widely scattered network of offices, and other brokers soon followed the leader. Now, Merrill Lynch finds that it has to strive for exclusivity in its sports and news programing buys.

Most of the buys are network television, but the stockbroker also employs spot television in a 50/50 co-op split with retail offices. The co-op also includes, for the first time, radio commercials — each 50 seconds with 10 seconds additional for a local tag spoken by the stations' announcers.

Print ads sell "products"

Print advertising, which accounts for $3.5 million of the $20 million budget, is built around specifically targeted product ads. The cash management account, for example, is promoted in spreads in all major business publications and news weeklies. Inter-

national capabilities are promoted through major news and business publications in the Middle East, Japan, Great Britain, Germany and Latin America. The commodities subsidiary uses major business and institutional investor publications as well as commodity magazines.

Every print ad promotes corporate image, corporate benefits and the product. "What we are doing is classic marketing — striving for the perceived need of the consumer by the consumer," Walsh says.

"Say you are a burgeoning investor. You are a two-income family household. You are doing very well but you really want to use this opportunity while you're doing well to build for the future. We can assist you in that.

"In addressing the product itself, what we are saying is that we have the best services, the best cash management account and the best research."

Print media is split into magazines that reach the trade, and those that reach the retail customers. In advertising to the trade, Merrill Lynch uses *Pensions & Investments Age, Institutional Investor* and *American Banker*. Some books overlap in retail and institutional markets, such as *Fortune, The Wall Street Journal* and *Business Week*.

The two segments of the market once were addressed uniformly. But as Merrill Lynch realized that it was really serving two distinct markets, it separated out the corporate ads. That was done only after years of building up investment banking capabilities developing research, block trading and development of its sales forces. Institutional markets recently were further separated from retail last year, when Merrill Lynch reorganized to focus more specifically on the needs of both markets.

John Fitzgerald, who was instrumental in the reorganization, explains that overwhelming marketing reasons drove it to the new structure.

"We kept this overpowering image as a retail firm," Fitzgerald says, "even long after we became a powerful institution. The institutional inves-

John Steffens, marketing director, who sees to it that Merrill Lynch is "all things to some investors."

tors tended to think of us as a retailer for too long.

"Our kick-off institutional advertising campaign is intended to say to the investor that we are really alive in this arena."

The most significant new print ad seeks to position Merrill Lynch as the marketplace for money.

John Steffens, who's in charge of marketing financial services to Merrill Lynch individual investors, calls the new ad "right on target with what we're attempting to do and how we are attempting to position ourselves."

Aside from print and television efforts, Merrill Lynch spends approximately $3.5 million in direct mail, and the balance of its $20 million budget in co-op and special events, which cover its commitment to Public Broadcasting and major hospitality facilities at the Los Angeles Golf Tournament.

90% of business from 10% of investors

Merrill Lynch has definite reasons for targeting its advertising very specifically.

"One of the oldest saws in the advertising business is that 20% of the beer drinkers drink 80% of the beer. It's true of practically every product. Everyone would love to capture the 20% and ignore the 80%," says Walsh. "In our case the ratio is even more compelling. It's 10% doing 90% of the investing. We definitely want to increase our penetration against the key investor market and this will be reflected in new ad plans.

"And we are doing a lot of things to accomplish that. If they perceive that the quality of the product merits their attention, then we'll get the business. The cash management account, for example, has a $20,000 entry fee. It acts as a screen so that those who open one up tend to be higher up on the economic scale.

"Everything that we do can be regarded as contributing to acceptance by the wealthy. It stands to reason that the well-off investor is going to appreciate the research effort more than the less well-off investor."

But Walsh maintains that M-L is not ignoring the smaller investor. One group the company is interested in is "the threshold investor — the burgeoning affluent person who is a product of his or her own success and endeavors. They already have a second car, a color tv, time and money for vacations."

While Merrill Lynch once reached out to all investors, the new Merrill Lynch is striving to offer particular values to all investors.

Many of the M-L investments are designed to appeal to a wide variety of customers. For example, Merrill Lynch Individual Retirement Accounts are some of the most flexible in the business. Merrill Lynch will manage the money or the investor can self-direct investment of the fund.

Although the cash management account requires an initial outlay of $20,000, other investment tools require lesser amounts down to as little as $1,000.

Emphasis on service at the retail level

At the retail level, Merrill Lynch added customer service departments in an effort to serve both large and small investors better.

The retail service is based on interviewing investors when they come into Merrill Lynch offices. First step is to obtain a profile of their needs. For example, if the investor is retired and conservative, then he will be matched with a broker who has experience dealing with conservative investors.

The system also cuts costs. If a person comes in to sell five shares, the customer service department handles the transaction to avoid wasting the broker's time.

Steffens sees this type of marketing innovation as essential: "In an environment of increased competition, it's going to become critical for firms in this business to understand their customers, to understand what delivery systems best accomplish that and finally to know how to price those products so that customers are going to be interested in purchasing them."

Rebecca Fannin

Merrill Lynch
Merrill Lynch Pierce Fenner & Smith Inc

It's in VOGUE®
The book women live by.

FRANCHISING

15 TOP
MARKETING
SUCCESSES
1981

The mammoth, marvelous, money machine

The giant of fast food franchise has stayed on top through unswerving foresight, franchise innovation, product consistency, and a third of a billion dollars a year in advertising. Despite its awesome 6% share of total U.S. meals-away-from-home, the 1980's promise to be the toughest decade yet for McDonald's. But observers say the company is well-positioned to stay on top.

A "grilliant" performance.

Over the past 27 years, McDonald's has parlayed 1.6-ounce ground beef patties—3 5/8 inches in diameter—into a multinational industry and an American tradition.

McDonald's has revolutionized not only what people eat but where they eat it. And, for better or worse, it has been a catalyst in overhauling the landscape of the nation's cities, suburbs, rural areas and highways.

While hamburgers and fries are two of its most important entries, McDonald's success story has a lot more to it than what meets the mouth. It's really a tale of foresight, franchising innovation, mass product consistency, advertising muscle, demographic synchronization, effective trademarking and management excellence.

Ask any McDonald's official about the ingredients of the company's marketing casserole, however, and you'll get a response that's as unvarying as a Big Mac. "McDonald's takes the hamburger business more seriously than anybody else," you're told.

McDonald's
OVER 40 BILLION SERVED
DRIVE-THRU

McDONALD'S

Fred Turner, chairman

Leo Burnett

And if that doesn't quench your curiosity, Hamburger Central (the official nickname for the company's Oak Brook, Illinois headquarters) will be glad to fry up a healthy heapin' of its other war hoop: "Q.S.C. and V." (quality, service, cleanliness and value).

Regardless of whether McDonald's success was stimulated more by its philosophy than by the hard realities of shrewd business decisions, the company has evolved into a mammoth, meaty money machine.

In 1981, McDonald's 6,700 company-owned, franchised and affiliated restaurants (of which approximately 1,200 are foreign-based) generated $7.13 billion in sales. Approximately 19% of all sales came from international units.

Company-owned restaurants produced $1.9 billion in revenue in 1981 and rent and royalties from franchisees added another $561 million to the corporate coffers.

Also last year, more than half of all McDonald's locations had sales topping $1 million. (The $2 million mark was cleared by 109 units.) Its system-wide advertising outlays were almost a third of a billion dollars.

In the profusion of numbers cranked out in the eight-story innards of Hamburger Central, even trivia buffs have something to nibble on. For example: each year a half-million steers are converted into McDonald's hamburgers — of which the company sells about one billion every three months.

Among other seeds of trivia on McDonald's bun of life: it takes the equivalent of 300 square miles of forest to keep McDonald's restaurants stocked annually with paper products. And the golden arched goliath is the nation's biggest buyer of processed potatoes and fish.

Despite the bubbly statistics and McDonald's awesome share (about six percent) of the nation's total meals-away-from-home volume, the company now faces a decade that appears — at first blush — to be a lot less fertile than the boom days of the 60's and 70's. And the $64,000 question for McDonald's in the 1980's is not "when will the company pass the 100 billion hamburger mark?" but, rather, "will it be able to develop new formulas to achieve real growth in a reformulated marketplace?"

Pressures that will probably force McDonald's to get out of the "auto pilot" mode and do some fancy marketing maneuvering are already beginning to bear on Hamburger Central. Increasing saturation in the fast food field and the diminishing ranks of the under-20 population — which has been McDonald's stronghold — are two of the potholes that the burgermeister will have to skirt.

Then too, chubbier beef costs and a trend toward "lighter" foods have put a dent in America's love affair with the hamburger. Recent Census Bureau figures show that the average American's annual diet included 10% less beef and 20% more chicken than ten years ago.

But, if anything, the odds are with McDonald's. Considering the company's smooth journey during most of its 27-year history, it's conceivable that Lady Fate, herself, is a McDonald's franchisee.

Although "McDonald's: The Corporation" had its start in 1955, "McDonald's: The Concept" dates back to the late 1940's with the San Bernadino, California, hamburger stand of Maurice and Richard McDonald. The brothers had emigrated from New Hampshire to Hollywood in the 1920's to work behind the scenes in a movie studio.

In 1932, when it became apparent that their cinema roles were limited to moving props and driving trucks, the McDonalds took the entrepreneurial route and bought a floundering movie theater. Seven years later they chucked the flicks altogether and opened a San Bernadino barbecue restaurant featuring ham, chicken, beef and pork.

Not content with the consistency and profit potential of their menu, Maurice and Dick temporarily closed the barbecue stand in 1948 to reformulate their offerings. When they reopened later that year, their octagonally shaped drive-in featured a streamlined menu of 15 cent hamburgers, 10 cent fries and 20 cent shakes.

Vittles aside, what made the transition from barbecue to burgers significant was the McDonalds' development of a simplified operation that produced consistent and inexpensive meals, quick service and minimal overhead per customer served.

Fred Turner, chairman of McDonald's

The success of the McDonald brothers' new formula was reflected by the eight five-spindled milk shake mixers that were soon needed to serve that one stand's lunch hour traffic. This veritable arsenal of shake machines didn't escape the attention of the man who made a living selling them for $150 apiece — Ray Kroc.

A former radio station music director and paper cup salesman, Kroc ventured from his Chicago office to the McDonalds' San Bernadino stand in 1954 to satisfy his curiosity. He returned to the Windy City with a ten-year franchising agreement (later changed to 99 years) that gave him 1.4% and the McDonald brothers .5% of the gross sales generated by the McDonald drive-ins he would license for an initial fee of $950. (The current licensing fee is about $325,000 per unit.)

Big M symbolizes ubiquitous McDonald's hamburger restaurants whether at roadside or in the broad mix of major advertising media used.

Ironically, Kroc had visions of shake machines — not Ronald McDonalds — dancing through his head when he hammered out the deal with Maurice and Dick. Reasoned Kroc: if the McDonald brothers' store used eight machines, he could create his own huge mixer market by duplicating the San Bernadino drive-in around the country.

The first McDonald's location arranged by Kroc was in the Chicago suburb of Des Plaines. Although his original agreement with the McDonald brothers prohibited his ownership of any outlets, Kroc was, nevertheless, part owner of his venture's first unit along with Chicago contractor Art Jacobs. It opened on April 15, 1955. (See box on the inaugural store's first manager.)

Within a few months, Kroc had lined up franchisees in Fresno and Reseda, California. Total volume in 1955 was $235,000.

All told, Kroc's network grew to 12 outlets by the end of 1956. He opened another 25 drive-ins in 1957. The 200th Kroc-inspired McDonald's was unveiled on August 30, 1960 in Knoxville, Tennessee.

McDonald's evolution into a real estate power was engineered by Harry Sonneborn, who joined Kroc in 1955 after an administrative stint with Tastee-Freeze. In 1959, Sonneborn — who ultimately became corporate president — arranged a $1.5 million loan that allowed Kroc and company to buy and operate their own McDonald's stores. (In 1960, an existing McDonald's franchise was bought in Torrence, California, and the first company-built store opened in Columbus, Ohio that year.)

Among other financial accomplishments, Sonneborn was also instrumental in turning McDonald's into a landlord when he, along with Kroc, operated under the banner of the Franchise Realty Corporation beginning in 1956. The basic thrust of FRC was to persuade a property owner to lease his acreage on a subordinated basis to FRC for a McDonald's store, while FRC would hold the mortgage on the building itself. In that way, FRC generated additional income through rental fees to some of its franchisees

Sonneborn also played a hefty part in putting together the $2.7 million package that allowed Kroc to buy out Dick and Maurice McDonald on December 28, 1960. The newly formed McDonald's Corporation acquired the McDonald's name, trademarks, the brothers' formulas and copyrights.

With more than $200 million in system-wide sales, the company went public in 1966. That same year, Ronald McDonald made his national debut in Macy's Thanksgiving Parade and the first McDonald's with inside dining facilities opened in Huntsville, Alabama.

In 1967, McDonald's put the finishing touches on a program that has since

Recollections of the first manager

April 15, 1955.

It was a low-profile start for a company that now embellishes its burgers with promotional hoopla and media megabucks. But Store #1 in Ray Kroc's eatery empire-to-be opened without any advertising fanfare in the Chicago suburb of Des Plaines.

Marketing & Media Decisions talked to an eyewitness of the McDonald's Corporation's beginnings: Ed MacLuckie, who was the Des Plaines store's original manager. Raised in Des Plaines, MacLuckie left the inaugural location in 1957 to open McDonald's franchises in Lansing, Michigan. His holdings, which were sold to McDonald's in 1980, included four stores in Michigan and four in Florida.

According to MacLuckie, the first store (co-owned by Kroc and Chicago contractor Art Jacobs) was located on a heavily traveled north/south street about 2½ blocks north of the Des Plaines business district. Across the street from the red and white-tiled McDonald's facility was a Howard Johnson's restaurant.

"I didn't think it was the best location in the world, but that was their (Kroc and Jacobs) decision," MacLuckie said. The drive-in was open from 11 a.m. until midnight on Fridays and Saturdays, and from 11 a.m. until 11 p.m. the rest of the week.

Prior to the Des Plaines opening, MacLuckie had a two-week training stint at one of the California hamburger stands franchised by the originators of the McDonald's concept — Maurice and Richard McDonald. He returned to Illinois in mid-March, 1955 to help put the finishing touches on Kroc's fast food firstborn.

April 15th, recalls MacLuckie, was relatively uneventful.

"I don't remember anything unusual happening. We did pretty well, opened on time and did a decent job of taking care of the public. In fact, we were quite busy," said MacLuckie. The only headaches that day came from some malfunctioning milk shake equipment.

Since there was no advance advertising, initial traffic, explained MacLuckie, probably resulted from curiosity about the quality of a 15¢ hamburger. "There was virtually no promotion. Just some signs in the store window that said we'd be opening. There was no newspaper or radio advertising," he added.

Kroc, recalled MacLuckie, would spend time at the store almost every day of the week. On weekdays, "Mr. Hamburger" would arrive at the location before 8 a.m., leave his car in the parking lot and walk over to the nearby train station for the commute to his downtown Chicago office. He'd spend all of Saturday and part of Sunday at the drive-in.

"Kroc would always be in the back room. I remember him scraping out ketchup cans," said MacLuckie. "He didn't spend too much time behind the grill. He might take a few buns off the grill, but he was apt to do almost anything that had to do with cleanliness."

made the company a heavy-duty national advertiser.

McDonald's Operators National Advertising Fund (OPNAD) was brought to life in 1967 by Paul Schrage, who then handled the McDonald's account for D'Arcy Advertising and later joined his client as chief marketing executive. In theory, OPNAD is a voluntary arrangement that gives McDonald's operators the option of contributing a percentage of gross sales for national advertising purposes. (In practice, say some franchisees, OPNAD contributions have been made mandatory by Hamburger Central.)

Some 40 billion hamburgers after Ray Kroc opened his Des Plaines store, McDonald's now stands as the nation's leading restaurant organization and top franchiser. Here's how some of its components stack-up today:

Facilities: of the 6,739 McDonald's restaurants in operation at the end of 1981, 68% are franchised, 26% are company-owned and 6% are affiliated (i.e., McDonald's Corporation is a part-owner). In the recent past, the company has followed an expansion program of about 500 new outlets a year — with 2,561 restaurants added to the worldwide system between 1977 and 1981. (599 units were opened in international markets during that five year period.)

Drive-thru service introduced by McDonald's in 1975, is featured at 4,482 units. Company officials estimate that drive-thru business accounts for 40% to 45% of a McDonald's restaurant's total volume.

McDonald's Playland areas — boasting themes straight out of the company's Saturday morning tv spots — are featured inside or next to more than 970 restaurants.

It now takes about 115 days to build a typical McDonald's restaurant.

Franchising: a 20-year license for a McDonald's restaurant currently runs about $325,000, and that doesn't include the 11.5% of annual gross sales due Hamburger Central for rent and royalties. Franchisees who rent their locations for the corporation are nevertheless responsible for their location's maintenance, property taxes and insurance as well as all supply and labor costs.

Of the new franchise locations available each year, 50% to 60% go to existing licensees, 20% are assigned to new operators and the balance is kept by the corporation.

McDonald's owns the buildings and property of 62% of the system's U.S. locations and 30% of its international sites.

Advertising: McDonald's worldwide advertising outlays in 1981 were $322 million, or 4.5% of corporate sales. Its projected national advertising budget for 1982 through recently appointed Leo Burnett Company is $75 million (as compared to the $8 million spent nationally in 1970).

Local advertising is subsidized by

franchisee contributions equal to 3% of annual gross sales. The company's 170 operator co-ops are handled by approximately 100 advertising agencies, which — in turn — are supervised by one of McDonald's regional advertising managers.

In the recent past, McDonald's has spent more than 50% of its marketing budget on promotions, including last year's $10 million "Build A Big Mac" contest and its recent $20 million "Quality In The Bag" game.

The company reportedly spent $20 million last summer to promote a glass giveaway tie-in with the movie "The Great Muppet Caper." Promotions, said McDonald's ceo Michael Quinlan, are "a more cost-effective way of getting our message across to the public."

Products: While McDonald's menu still largely revolves around hamburgers and fries, the company is gradually rolling-out two non-beef entries: Chicken McNuggets and the McRib sandwich. Being reactivated after an unreceptive roll-out, is the McChicken sandwich, which has since been reformulated.

McDonald's breakfast menu, which accounts for about 18% of store sales, is being expanded with ham and pork sausage Biscuit Breakfast sandwiches.

Recent culinary casualites for McDonald's include the McFeast sandwich (similar to Burger King's "Whopper") and a chopped beefsteak sandwich.

McDonald's has a stated policy of testing new products for a minimum of four years before determining their fate. The company took almost twice that long to develop a viable chicken item.

To get a better perspective on how McDonald's has authored its success story, *Decisions* requested interviews with company officials. Our request was politely rejected — as has been the case during the past several years for other journalists trying to extract a comment or two from Hamburger Central. Our article, we feared, would be like a Big Mac without the special sauce.

So we decided to do the next best thing: talk to former McDonald's employees and close observers of the company. The comments that follow provide some insight into the strengths, quirks and potential of the world's most recognizable meal merchant:

Donald I. Smith (director of the School of Hotel, Restaurant and Industrial Management at Michigan State University and former ceo of Shakey's national pizza chain):

"McDonald's has no competition. They are uniquely different in the field. They are the best executioners, the best marketers. They do almost everything right. And if you don't, they will bury you. Anybody in the food business had better study them and what they have done.

"They are strong in the minds of the market. There are many, many parents who will tell you that the first words their children uttered while driving down the highway were: 'Momma, McDonald's.'

"McDonald's hasn't separated marketing from food services. What they've done is taken an intangible service and made it very tangible. They use the systems approach. The customer knows that when he gets in line there will be a hamburger waiting for him. And when he reaches the register, he will get his order within one minute.

"They have eliminated human judgment in the system of service. There is so much ketchup, so much onion that goes on a hamburger. And the product stays on the shelf only ten minutes before it's discarded. McDonald's is willing to waste food to give the customer clean, speedy service and a tasty product."

Bill Welter (senior vice president marketing of Wendy's International and former account executive on the McDonald's account for Needham, Harper & Steers): "I think McDonald's success formula is very simple. It's their dedication to operations excellence and the belief in the power of marketing. Since you're selling an experience, not a packaged good, operations have to be excellent. And, if you have marketing clout — in terms of your total tonnage of advertising — that, together with good operations, produce a winning combination.

"The market is different today than it was 20 years ago when McDonald's started their phenomenal growth. You just look at demographic trends, what people want today, and who those people are, and it's an entirely different story.

"The influence of children is not going to be as great in the decision to eat out as it has been in the past. There's going to be an explosion of the 35-plus people who are demanding, I think, a better value for what they spend. I don't care if it's a hamburger or a car or a shirt. That's a whole different approach to selling a hamburger than what was going on 10, 15, 20 years ago.

"If McDonald's is going to survive, they're going to have to do some things differently, as everybody's going to have to do."

Darrough Diamond (McDonald's national advertising manager during the mid-1970's, who is currently a marketing consultant based in Columbus, Ohio): "There was a lack of synchronization of advertising messages at the national and local level, fuzzing up the marketplace. There was also the prevailing practice of buying 50-second media spots without regard to the message being said. Often, McDonald's over-bought airtime, using 60-second spots for 30-second messages. The company was also far more interested in execution of advertising than in the strategy. That's why Needham, Harper & Steers was replaced by Leo Burnett. Needham wasn't strategically oriented.

Often, McDonald's would introduce a new product that required continuing market support (e.g. hot fudge sundaes) after the initial introductory promotion ended. That support wouldn't be there and the product would die out.

"I remember one new product fizzling out because Ray Kroc just blew it. Ray liked a new frozen dessert called Tripple Ripple. It was a three-flavored ice cream that came frozen. The idea was that when the customer ordered his meal he would order the Tripple Ripple. By the time the customer finished eating, the ice cream would have thawed enough to be eaten.

"But what Ray didn't realize was that people buy a meal, eat it and then come back and order the ice cream. People bought the ice cream, but it was frozen so it couldn't be eaten. Kroc was pretty heavy-handed trying to force the ice cream on the franchisees.

"McDonald's was willing to correct some of their mistakes and they always had money to overcome the ones they made. They start, though, from a strong base — bringing good value to the market and executing it with consistency and dependability.

"Kroc and Turner are smart. They will do what has to be done to succeed. Turner was one of the first chief executives in the restaurant industry to recognize that marketing plays an extraordinary role in the success of a restaurant food chain. In the mid-1970s, when other chains were cutting back ad dollars, he made the dollars available to maximize the creative message. He just kept pouring on the coals. There is a long-term, hard-nose commitment to marketing at McDonald's. They will spend a minimum of four percent of their sales on it.

"McDonald's will use 95 cents of every national advertising dollar for media. The remaining five cents go for production. Their competitors would take 70 to 75 cents from every national advertising dollar for media and put the rest into production.

"Historically, they put a larger share of money into media spending than their share of business represents. This way, they lead their own share growth. They are very aggressive and are greasing the skids for future business. As a result of all this, they appear to be a little bit bigger in the eye and ear of the consumer than they actually are."

John Blair (director of marketing research for Quaker Oats and chairman of the American Marketing Association's selection committee for 1982 AMA Achievement Award, which was presented to McDonald's this month in New York): "It's really kind of tough to get into the inner workings of any company to understand unique advantages that they might offer over other firms in that field. But when you stop and look at McDonald's, it becomes apparent that they've had highly effective communications programs over their competition all of these years.

"They've also had highly effective promotion, brand-naming and trademarking. I think they've done the best architectural job in their field. And they've maintained a quality of their product both through time and across geography that I think is truly exceptional.

"When you stop and think that you've got a whole bunch of local businessmen that you're trying to manage and offer a uniform product from area to area, it's truly remarkable what they've been able to do."

Richard Biederman (president of Richard Biederman and Associates, a Shawnee, Kansas-based marketing consulting firm for clients including Jack-in-the-Box, Hardees and Roy Rogers): "If you define marketing as just advertising, then I would say McDonald's isn't very successful. I don't believe their ads do anything for them except remind people that they are there.

"But if you define marketing in the broadest sense of the word, of putting together all elements of a business to entice people to come in and buy the product, then yes, they are very good at what they do. McDonald's is a good marketing company, but not the best.

"It is the best restaurant operation in the fast food category. They offer consistent prices, reasonable quality, quickly. They do it without magic or tricks. They have developed a better product and keep telling people why it is better. Then they deliver against that promise. They make what they claim happen in the marketplace. It is not a matter of money.

"Their strengths are in location and operations. They develop in the big metropolitan areas and get maximum efficiency of their retail units. The only problem they face is keeping up with changing consumer tastes, the desire for new, different and exciting foods."

A former multi-unit franchisee (who recently sold his stores to McDonald's and prefers to remain anonymous): I've been looking at possibly buying franchises with Wendy's, Burger King, Long John Silver's and others, and I begin now to appreciate more the strength of McDonald's.

"The others are loose compared to McDonald's in terms of restrictions and requirements. McDonald's requires the owner/operators, when they are franchised, to live within an hour's drive of the stores. It also requires them to be 100% McDonald's — not to be involved in other businesses at the same time.

"I look at some of these other companies and see that there are guys who own Wendy's stores as well as Long John Silver's, Pizza Huts and all kinds of things. They probably don't give the time, attention and detail to any one of those many different franchises."

Michael Culp (vice president senior restaurant analyst for E.F. Hutton in New York): "McDonald's typifies the kind of restaurant company that grew during the 1970s almost entirely as a result of physical expansion and inflation.

"That was a pretty easy way to grow for a long time.

"You had a wide open field in the 60s and in the early 70s with much less competition, a lot of suburban communities springing up where you could open a lot of stores. And on a small base it was possible for them to grow 20% a year.

"You also had a fair level of inflation in the country, which allowed McDonald's to pass on double-digit price increases to consumers at a time when consumers were just shell-shocked by price increases everywhere. They really didn't notice as much that McDonald's menu prices were taking the average check from $1 towards $3 very quickly.

"Now what you have is much more intense competition, much closer to a saturation point in the hamburger business in the United States. And you also have disinflation coming in, which means that McDonald's ability to expand physically has been seriously impaired.

"It looks to me as if they will grow about 7% physically on-average over the next five years instead of 15% to 20%.

"McDonald's will make it because it's spending a third of a billion dollars a year on advertising. But it's going to be a much, much tougher ball game for them than it's ever been before."

Steve Raddock

Steve Raddock is creative director of Patten Corp., a Detroit-area advertising agency, and a former assistant editor of Marketing & Media Decisions.

Now he sings in the shower

Bob Taylor's Softsoap rolled out in January 1980 as a pump-dispensed sink soap. Now he's staying ahead of the likes of Procter & Gamble and Armour-Dial in the market he created and is expanding with ShowerMate, a liquid soap for the shower. He's taken Minnetonka from a $25 million specialty company to a $100 million diversifier.

SOFTSOAP

Bob Taylor, president, Minnetonka, Inc.

In-house agency

Bob Taylor is changing the complexion of the soap industry from the front seat of his car.

The product concepts that have put his Minnetonka, Inc. in the driver's seat of the liquid soap business were hatched during the daily commute to the company's suburban Minneapolis offices. The by-products of Taylor's rush-hour brainstorming have included

Softsoap, the pump-dispensed sink soap that has taken Minnetonka from a $25 million specialty firm to a $100 million consumer product company in less than three years.

Liquid soap for the sink, which Softsoap brought to national prominence in 1980 with a first year advertising budget exceeding $6 million (or about 25% of the company's 1979 sales), has given rise to dozens of knock-offs and a slice of the total bar soap market approaching 10%. Total bar soap sales are approximately $850 million through food stores and another $150 million through drug and discount stores.

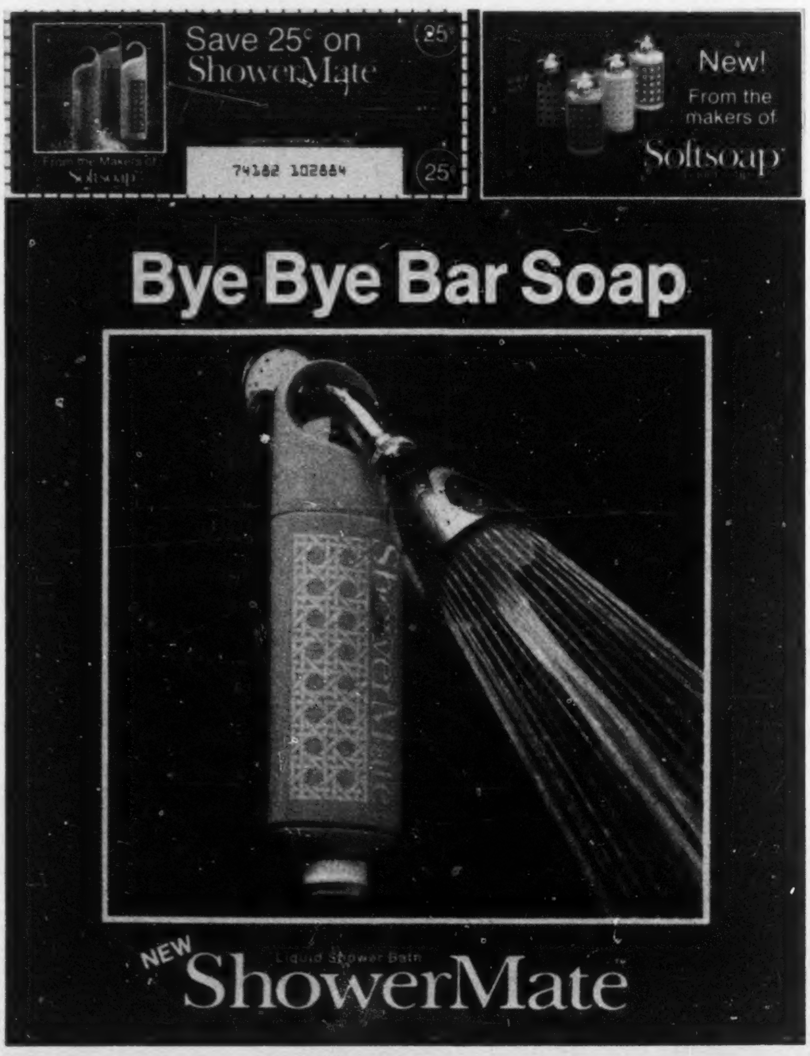
In Minnetonka's case, Softsoap has also set the stage for introduction of such related items as heavy-duty liquid soap (Work Soap) and liquid soap for the shower (ShowerMate). While Taylor sees the liquid sink soap market peaking during the next few years, he anticipates unlimited growth potential for liquid shower soap. That commodity, he predicts, will make bar soap as passe as the pull-chain flusher.

Although liquid soap has been a bigger spark for the soap industry than Lawrence Welk's bubble-making machine, it has attracted minimal participation from the big soapers — which attests to Minnetonka's almost total dominance, estimated at more than 50%, of a $100 million market. Procter & Gamble is dabbling, with a liquid soap — Rejoice — in test market, while Armour-Dial is doing the same with its entry, Liqua 4.

Although Softsoap is a young bubble in the marketplace, Minnetonka itself materialized about the same time the Beatles did in the U.S.

In 1964, at the age of 29, Taylor launched the company with a $3,000 investment by hand-rolling scented soap balls in his basement with the help of his wife, friends and a used machine he bought from Land O' Lakes for $25. Taylor and company churned out their products on the weekends, while Taylor spent the weekdays making sales calls to department, specialty and gift stores. During that inaugural year, the company — incorporated as Village Bath — racked-up $30,000 in sales with a line of six specialty soap and gift items.

ShowerMate is backed with a $15 million total



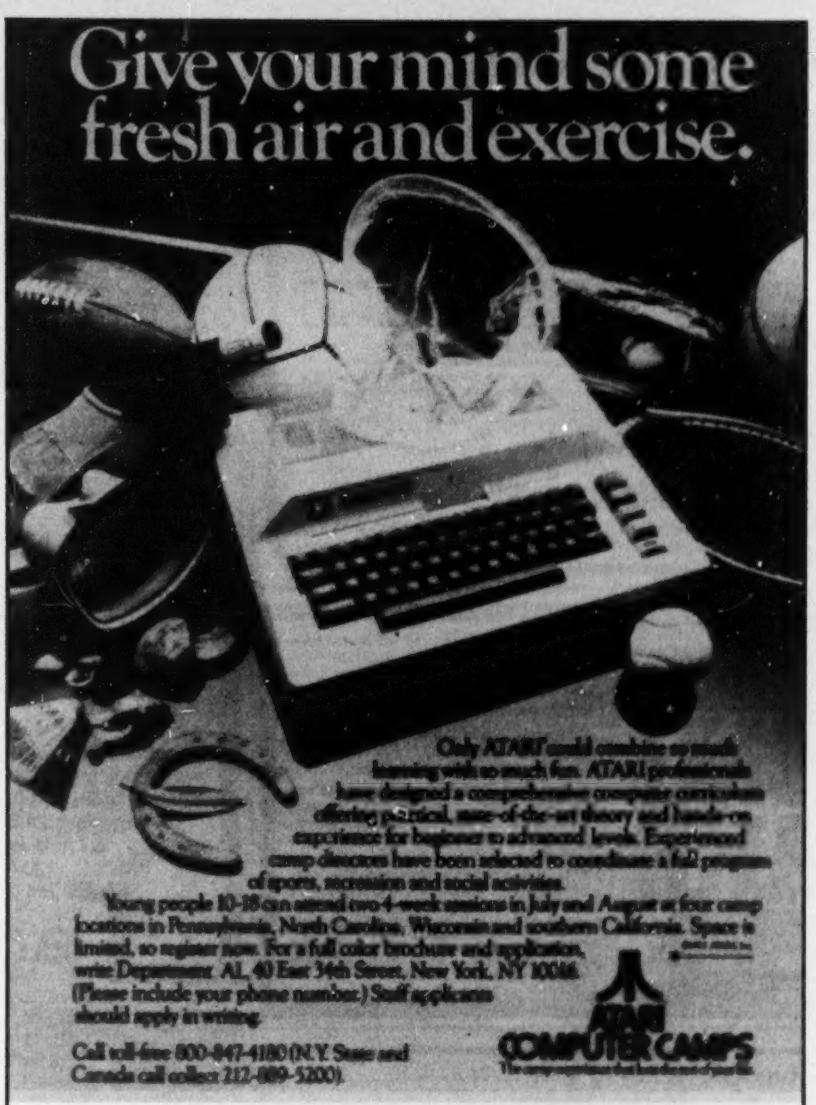
Although liquid soap for the sink is far from being washed-up, its future looks filmy compared to the potential for a liquid version for bathtubs and shower stalls. So predicts Minnetonka, Inc., founder and president Bob Taylor, who is putting a healthy chunk of his company's resources behind a recently launched liquid bath soap.

In fact, the 47-year-old entrepreneur is almost dead certain that his new ShowerMate will open-up a market even more lucrative than that pioneered by Minnetonka's successful Softsoap.

"In Europe, we know that the liquid soap market for the shower and bath is equal to the bar soap business. So we have a feeling that the trend is a beginning with ShowerMate and will continue to grow," noted Taylor. In the U.S., approximately 75% of all soaps are used in the shower and bath.

Development of a liquid shower soap began even before Softsoap's national roll-out in January, 1980, recalls Softsoap Division general manager Wally Marx. Like Softsoap, packaging was seen as one of the most crucial ingredients in the proposed product's marketing recipe.

"We knew the container had to



Only ATARI could combine so much learning with so much fun. ATARI professionals have designed a comprehensive computer curriculum offering practical, state-of-the-art theory and hands-on experience for beginner to advanced levels. Experienced camp directors have been selected to coordinate a full program of sports, recreation and social activities.

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Call toll-free 800-847-4180 (N.Y. State and Canada call collect 212-889-5200).

The computer goes to summer camp

Traditionally, when youngsters went to summer camp, the purpose was to get them away from city streets and television sets. This year, Atari's summer computer camp will educate youngsters in the use of the electronic device, what it can do, and how it can be programed.

Full page advertisements in the Sunday New York *Times* and other newspapers have announced the availability of the camp program to interested adults and children.

So this year, while most youngsters will still be looking at real cows, horses, chickens and pigs, a select few will be learning how to draw them on television screens with computer graphics.

The ad ran in New York *Times* summer camp section. when Atari wants immediate action, it includes newspapers in its media mix. But it also finds direct mail (sometimes expensive, high quality mailing pieces) essential to building repeat sales for its software.

The summer camp idea has the additional value of setting Atari apart from other electronic gadget manufacturers in the new idea business.

as a kind of marketing research for tv."

Four Atari commercials have been running year-round. So little seasonality has been detected that Atari's new home version of "Pacman" is being introduced in March. The first, and perhaps most frequently shown, gives reasons to buy beyond fun and games. The spot opens with two parents relieving boredom with the game, which also brings them together with their children. The goal is togetherness; the result is that parents go out and get the hardware.

In another ad that sells hardware, a rather worldly feminine voice sings that Atari is for "the little boy in every man." The spots with software emphasis show families dominated by their children, and show a catalog of available catridges. The tag line question in these is, "Have you played Atari today?"

Sklaver says that this year, for the first time, Atari is using radio, too. "This is a very visual product, a tv product, so we haven't used radio at all yet. However, teenagers are very hard to reach on tv, and now the product is getting so well known that we don't have to *show* it."

Teenagers, of course, are the eternal denizens of the murky depths of the arcades from which the Atari giant emerged. Network radio is now being used extensively to plumb these depths — as only sound-waves can — throughout the year.

Certainly through 1981 and this year, big spending is a not-to-be-underestimated component of the Atari success story. But exponential expenditure growth is founded in exponential income growth: Atari is now Warner Communications' number one cash horse. "You've got to give them credit, for having invested a lot of money in this," says Sklaver. "You have to give them credit for their confidence and for their concept of the market. But I don't think anybody over there, not even Ray Kassar, suspected success of anywhere near this magnitude. Not this soon, anyway. It's happened sooner than anybody expected."

"Warner's people have always been consumer product oriented," says Kassar, "and the people at Atari have

Prior to 1964, Taylor — who received an MBA from Stanford — worked as a Toledo, Ohio-based sales representative for Johnson & Johnson. He left Johnson & Johnson in 1960 to go into business for himself as a manufacturer's representative in Minneapolis — where, over a four-year period, he represented more than 200 different companies. His sales ability, recalls Taylor, was honed at the age of 15 while selling five cent cigars for a tobacco wholesaler in his birthplace of Baltimore. Of the 132 sales calls he made during one particular marathon 15-hour workday, he managed to place his employer's stogies in all 132.

By 1968, Taylor's outfit was selling more than a half-million-dollars' worth of its line of 125 bath and gift products to major department stores in every state. In December 1967, Village Bath became Minnetonka Laboratories, Inc., reflecting the firm's suburban Minneapolis location. The company went public in 1972, a year in which sales leaped to almost $9 million.

Minnetonka's first big splash in the liquid soap market came in 1977 (the same year the firm shortened its name to Minnetonka, Inc. to — as Taylor explained — avoid "giving the false impression that we were a pharmaceutical company"). During one of his morning commutes to the office, Taylor toyed with the idea of making liquid soap a functional personal care commodity by putting the viscous substance in pump containers.

Eleven days after Taylor's behind-the-wheel think tank session, the "Incredible Soap Machine" was unveiled. Its floral-bedecked final version debuted in department stores during the Christmas season of 1977 and, at $4.95 retail, was largely responsible for boosting Minnetonka's sales from $8.4 million to $11.5 million that year.

"It wasn't the first liquid soap, but it was the first decorator package liquid soap," recalled Taylor. "Everybody else who had ever tried liquid soaps merely put it in a bottle. Some were squeeze bottles. But nobody had it with a design on it."

To market its uniquely-packaged product, Minnetonka billed the Incredible Soap Machine as the panacea for messy bar soaps. It was a strategy that

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advertising and promotion blitz

be unique. It couldn't just be a Flex shampoo bottle with liquid soap in it," Marx said.

The concept for this package cropped up in Taylor's mind while driving to work one morning. A previous rush-hour commute had planted the seeds for the creation of Softsoap. What he envisioned on the open road soon came to pass: an inverted, no-drip dispenser with a hook-shaped cap that allows the product to be suspended from the shower head or towel rack. Because of the complexity of this package, it took Minnetonka three times longer to develop the ShowerMate container compared to the Softsoap dispenser.

The success of Softsoap, however, helped to expedite the national introduction of ShowerMate this past March. "Because we already had a customer base established, we weren't developing a whole new basis of business," said Taylor.

As opposed to Softsoap's 12 test markets in 1978 and 1979, ShowerMate was only put into six. Testing was sped-up to allow the product to be first in the marketplace and to quickly dominate shelf position.

Distribution of ShowerMate parallels Softsoap's, and is typically displayed next to Softsoap.

In conjunction with ShowerMate's March roll-out, a $15 million advertising and promotion campaign was launched to quickly put the item in a leadership position. Network tv equalling 200 grp's per week is being bought to air two different ShowerMate spots featuring a 25 cents off coupon. This campaign reached more than 35 million people on March 28. Also slated for ShowerMate are four-color ads in *Good Housekeeping, Woman's Day, McCall's, Family Circle* and *Better Homes and Gardens.*

Taylor projects that ShowerMate will experience a slower initial build than Softsoap, but have longer-term growth. "I think ShowerMate is going to be a more moderate success, but — in the long run — a bigger success than Softsoap."

ShowerMate's competition — prospective and actual — includes Gillette's Bare Elegance and Akron-based GoJo Industries' Shower Up.

New competitor

Gillette's launch on Bare Elegance was in April of this year in six western states.

The launch will be supported by a national equivalent of over $16 million in advertising and promotional activities. Its claim for Bare Elegance is that it "combines the benefits of cleansing and moisturizing at the same time. Bare Elegance comes out of Gillette's Personal Care Division, which launched Silkience Self-Adjusting Moisturizer last fall. Silkience Moisturizer was the first extension into skin care of the division's successful Silkience hair-care line. With the shower soap, it decided to avoid further extension of the Silkience brand name.

Gillette claims that in consumer tests, women preferred Bare Elegance to competitive products, including a leading "moisturizing" bar soap, for its cleansing and moisturizing benefits, as well as for its convenience. It is being marketed with a hook-shaped package for hanging in the shower — like ShowerMate.

Three fragrances are available for Bare Elegance: Fresh Jasmine, in a lavender package; Fresh Spring, in a pale green package; and Unscented, in a beige package. Eight ounces of Bare Elegance are priced at about $2.50 in food, drug and mass merchandise outlets.

didn't cause a lot of people to bubble over with enthusiasm, Taylor recalls.

"Everybody said our position statement was wrong, that we shouldn't be selling "eliminate messy bar soap" because that's not a proprietary position statement. Everybody who goes into liquid soap can eliminate messy bar soap. A lot of people advised us to talk about the skin-softening benefits of the formula. And we disagreed. Our position with liquid soap was to strictly eliminate messy bar soap and clean-up the house and, at the same time, give it a designer touch."

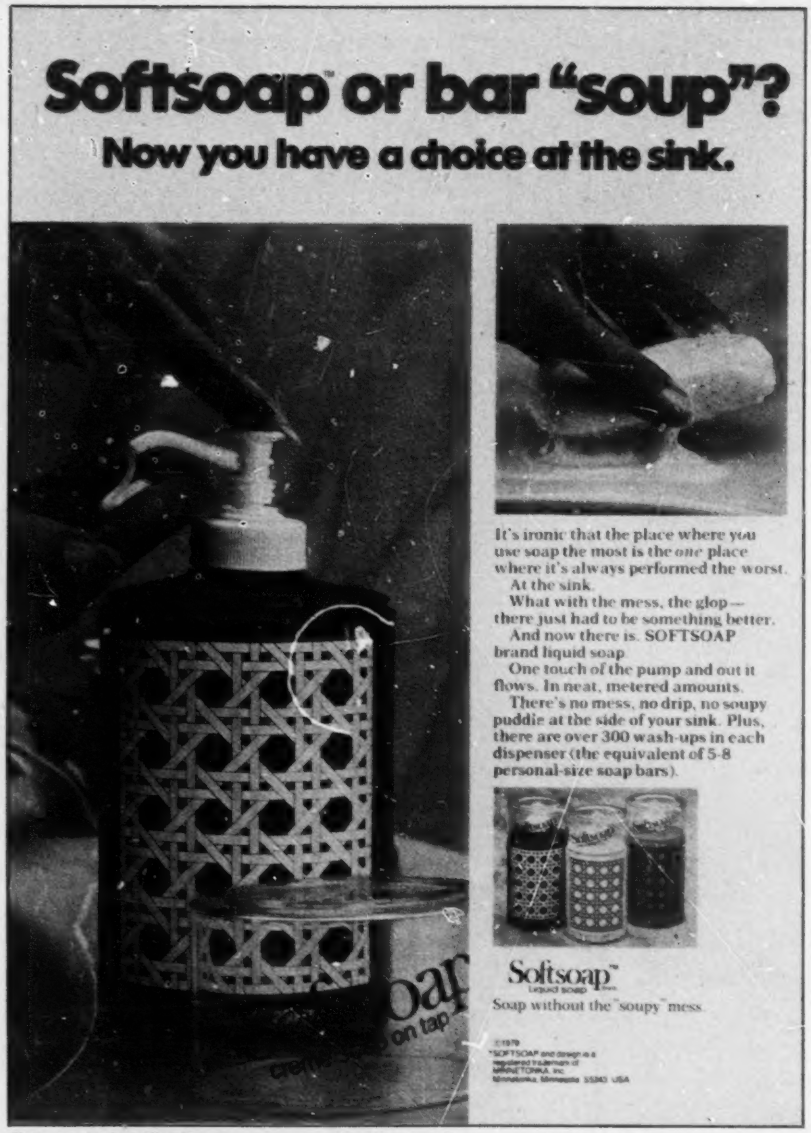
That position statement, said Taylor, has also been the most important success formula for the liquid soap product engendered by the Incredible Soap Machine — Softsoap.

If a $4.95 dispenser could sell over a million units in one year in department stores, figured Minnetonka executives, imagine what a cheaper version could do in a mass-merchandising setting. The company didn't waste any time finding out.

Softsoap — the company's first product specifically designed to be sold through food stores — was put into test market in Minneapolis, Milwaukee and Indianapolis in late 1978. As part of the testing, spot tv equal to 200 gross rating points for 13 weeks was bought in Minneapolis; half that amount was purchased in Milwaukee; while Indianapolis was designated as the control market with no advertising. According to Selling Areas Marketing, Inc. (SAMI), figures of warehouse shipments to retailers show Softsoap posting a healthy 5% of market in Minneapolis and Milwaukee during testing.

In 1979, testing was expanded to nine other cities including Chicago, Houston, Dallas, Denver, St. Louis, Kansas City and Des Moines. All told, the dozen test markets — representing more than 14% of the nation's population — accounted for $4 million in Softsoap sales. Two other developments in 1979 signaled Softsoap's impending national introduction. One

Wally Marx, vp-general manager, Softsoap Div., Minnetonka Labs, seeks quality in ads, and in the products on the assembly line.



Softsoap™ or bar "soup"?

Now you have a choice at the sink.

It's ironic that the place where you use soap the most is the *one* place where it's always performed the worst.

At the sink.

What with the mess, the glop — there just had to be something better.

And now there is. SOFTSOAP brand liquid soap.

One touch of the pump and out it flows. In neat, metered amounts.

There's no mess, no drip, no soupy puddle at the side of your sink. Plus, there are over 300 wash-ups in each dispenser (the equivalent of 5-8 personal-size soap bars).

Softsoap™
Liquid soap

Soap without the "soupy" mess.

©1979
*SOFTSOAP and design is a registered trademark of MINNETONKA, Inc.
Minnetonka, Minnesota 55343 USA

Print ad for Softsoap ran on inside back cover of *Better Homes & Gardens,* emphasizing convenience of liquid soap at sink.

was the construction of a 44,000 square foot production and warehouse facility for Softsoap. The other was the hiring of Wally Marx — former director of planning for Pillsbury's Consumer Products Group — to head-up Minnetonka's Softsoap Division.

"In late 1979, Bob Taylor and I put together a whole business plan for Softsoap, put together a national sales organization of brokers and representatives, wrote the advertising and wrote and produced the sales promotion material," said Marx.

In December 1979, Taylor and Mark unveiled the 10.5-ounce product — which had a suggested roll-out retail of $1.59 — to their network of brokers. Shipments to grocery, drug and discount stores got underway in January 1980. On March 15th, Softsoap production shut down because of an over-inventoried position. Explained Marx: "By that time we had done what I considered to be an excellent job in trade, because most major accounts in the country had authorized the product. But they hadn't taken a lot, probably because they thought Minnetonka was a small company and they had never heard of it."

Minnetonka quickly emptied their warehouse when they launched a $6.4 million ad campaign in April. Daytime, early and late fringe television kicked-off on April 7 with a 30-second blurb that touted Softsoap as "soap without the soapy mess." The commercial, produced in-house for $17,000, was Softsoap's only spot in 1980 and ran both on network and spot tv. (According to LNA, Minnetonka spent $4.1 million on network tv and $1.8 million on spot to plug Softsoap in 1980.) A freestanding 20-cent-off coupon in a Blair Newspaper insert dropped on April 13.

Minnetonka's intensive consumer-pull strategy for Softsoap drew a quick response from the marketplace, with many stores around the country selling-out their stock by the end of April.

"So then the tidal wave came. Everybody was ordering, everybody was promoting," said Marx. "They ran us out of stock and we had to go on allocation from the middle of May (1980) until the fall.

"We found we had a tiger by the tail. What we did was start-up our plant on a full-capacity basis, had our suppliers going on a three-shift, seven-day basis to get as many components as we could, and used contract packers."

The April stock-out, added Marx, resulted in a slight loss of momentum at that time. Minnetonka, however, soon managed to catch-up with the demand for Softsoap, which, according to SAMI, captured a 6% share of the total soap market in its inaugural year. Minnetonka's sales soared 191% to $73.2 million in 1980.

Minnetonka's meteoric creation and domination of mass market liquid soap was part of the company's (i.e., Taylor's) long-standing operating philosophy of "marketing by circumvention.

"You have to compete where you're strongest," notes Taylor, who had previously carved out leadership positions in those product categories where the soapers didn't bother to tread — namely specialty bath and gift items and environmental fragrances for the home. Its Village Bath, Claire Burke and Dirty Kids lines are children of circumvention.

"We try to find a product that has a unique opportunity for which we perceive a consumer need and then, through a special container or mission statement, try to build a consumer demand that nobody else can satisfy," explained Taylor.

"The big companies go the other way. They establish how big the market is in a particular category of shampoo, bar soap or deodorant. Then they determine how much share of market they want of that established business. Then they calculate how many dollars of advertising and product development it's going to cost them to get it. Then they make a decision.

"We work it completely the opposite. We find markets that don't exist. We do some research with consumer panels to determine if there's something that could be established there. And then we generally start with a low-cost entry, test it and find-out if it has any response. If it does, we begin rolling it on a regional and then eventually a national basis," Taylor said.

Despite Softsoap's impressive introduction, the major soap producers — Procter & Gamble, Armour-Dial, Colgate and Lever Brothers — preferred to watch from the sidelines. Their reluctance to get into the liquid soap market, theorized Taylor, may be due to entry being tantamount to admitting that bar soaps are, indeed, messy. The big soapers' heavy investments in bar soap machinery and the fear of self-obsolescence prompted them to only take a half-hearted look at this overnight phenomenon, observed Softsoap general manager Marx.

"It would be like Detroit trying to convert to disc brakes. What are they going to do with all the machinery for regular shoe brakes? As soon as you let old machinery be an albatross around your neck, you're going to sink," Marx said.

Competition came, instead, from what Marx calls "second-tiered" companies. Dozens of small competitors, he noted, entered the liquid soap market, selling their wares strictly on price. This trade-push approach differed sharply from Softsoap's media-bolstered consumer pull strategy.

The only serious offensives were mounted by Jergens and Yardley, which deployed a combination of low price and limited advertising. (1980 LNA figures show Yardley spending $553,000 to promote its version of liquid soap — with 60% of that figure going into spot tv and the remainder into magazines.) Also in 1980, Economics Laboratory, another Minneapolis-based producer, launched its Clean 'n Smooth liquid soap in four midwestern test markets with a $181,000 media budget — $150,000 of it going into spot tv.

In 1981, Minnetonka set out to broaden Softsoap's pace-setting base by introducing a larger 16.5-ounce container and unveiling Work Soap, a heavy-duty liquid soap in a pump dispenser. Also that year, the company's ShowerMate, a specially-packaged liquid soap for the shower and bathtub, was put into test market. It made its national debut this past March.

More than two years after its introduction, Softsoap continues to dominate a liquid soap market that abounds with more than 40 competing brands. (According to SAMI, of the 41 liquid hand soap brands listed in 1982, nine have no market shares and 12 show only negligible shares.)

Even though — by chronological standards — it's still a fledgling fluid, liquid soap for the sink, notes Taylor, has reached about 80% maturity. With total industry sales for that type of product running at about $100 million, Softsoap is assuming a textbook marketing strategy to maintain its commanding market share. The big growth potential for liquid soap, feels Taylor, is now in shower and bathtub use.

"Now you're reaching the on-going battleground that all consumer products face, and that is to maintain a quality product at a reasonable retail price; reinforce with sales promotion and advertising; have the best sales force you can put out there; and manage the whole thing so that you make money, the retailer makes money and the consumer sees and hears you.

"It's just basic good business from this point forward. There's no magic. All the glamour is gone. Now it's just hard work, organization and good strategies. It's that simple. But if we can't do that, then we don't belong in this field," said Taylor.

Liquid soap, says Wally Marx, is now high stakes poker geared for those companies that seriously entered the game when it first got underway. "The price of entry is high and the price of staying at the table is high," he added.

According to Marx, besides Softsoap, only Jergens and Yardley liquid soap brands are posting any significant sales. And the two competitors, he noted, are getting their shelf space by making hefty price concessions to the trade. "They are, with their trade-push strategies, giving the trade triple and more than what we're giving them to push our product through," Marx said.

Dozens of other less aggressive liquid soap makers are finding themselves in an overstocked position.

"Unfortunately, the product is glutting the warehouses and polluting the shelves," says Marx of Softsoap's competition. "I don't know of very many companies that are actively producing liquid soap now for future sales. It's just too expensive to be in it. And the large companies that want to come in are going to have a very difficult time getting in. The trade has inventories it has to move out before a new brand can come on stage."

Taylor feels the large soap companies are taking a stab at liquid sink soap — despite the saturated nature of the field — to avoid looking foolish in the financial community.

"I honestly don't think that the big soapers believe that the liquid sink soap category will be large enough for them to put a serious entry in. I think the 1981 fallout of all the small companies and, in our opinion, Procter & Gamble's unsuccessful test of Rejoice in Houston, will prove to them that they should address themselves to the shower business and not the sink business," said Taylor.

"My perception is that the large soap companies will not roll with their testing because the numbers aren't there to come away without total hemorrhaging. If they do roll, I think it would be a major mistake for them. It would be because a naive brand manager made the recommendation and there wasn't enough analysis behind it to ask the proper questions."

Interestingly, entrepreneur Taylor acknowledges that Procter & Gamble is "still the company we'd like to emulate as a company."

Regardless of the peaking maturity of liquid sink soap, Taylor thinks that mass-marketed liquid soaps have a long future ahead of them. He cites research studies reporting that 70% of first-time liquid soap buyers make repeat purchases."

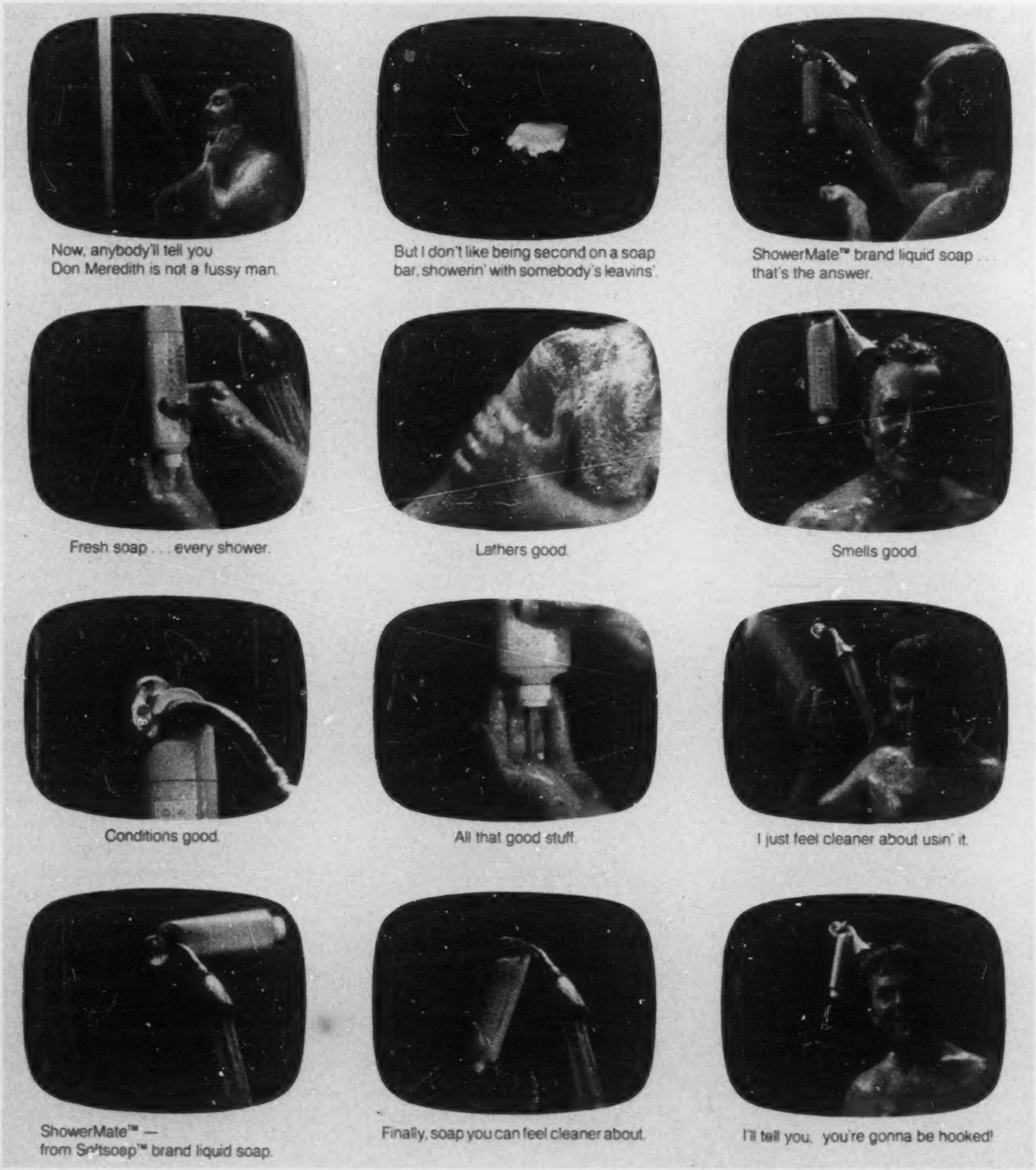
In terms of Minnetonka's media mix for its liquid soap products, television, explains Taylor, "is still the number one choice of media for us simply because it's so visual and we still have an educational problem. Although over half the households use liquid soap, you get down to diminishing returns.

"The last 50% are harder to get than the first 50%, because you have a lot of non-viewers and you have to try other means — couponing or magazines." (In fact, a free-standing insert featuring a 30-cent-off coupon and a $1 refund offer reached 34 million people this past February 21).

In 1980, Softsoap was backed by $360,000 in magazines (only one four-color ad was produced that year), $62,000 on newspapers and $48,000 on outdoor. In 1981 Minnetonka ran a Softsoap "Soft Life" sweepstakes in conjunction with the introduction of the bigger 16.5-ounce container. First prize was free, household help for a year.

According to Taylor, Softsoap's present media budget is "running

ShowerMate tv spot features Dandy Don Meredith getting "hooked" on product.



Now, anybody'll tell you
Don Meredith is not a fussy man.

But I don't like being second on a soap bar, showerin' with somebody's leavins'.

ShowerMate™ brand liquid soap . . .
that's the answer.

Fresh soap . . . every shower.

Lathers good.

Smells good.

Conditions good.

All that good stuff.

I just feel cleaner about usin' it.

ShowerMate™ —
from Softsoap™ brand liquid soap.

Finally, soap you can feel cleaner about.

I'll tell you, you're gonna be hooked!

about the same" as it did in 1980. Although a greater percentage of the 1981 budget was spent on network buys, it doesn't constitute a permanent fine-tuning of Softsoap strategy.

"Our mix changes to fit what our objectives are," commented Marx. "We don't have a formula. You look at soap advertising in general and, in measured media, it's 90% television."

Minnetonka's internal set-up to coordinate the marketing of Softsoap and related liquid soap products boils down to two factors: Taylor and Marx. It's no accident that the company doesn't have an ad agency or even a product manager. It's the intentional by-product of the entrepreneurial philosophy that extends back to the early days of the company when founder Taylor physically created his wares.

"You know, starting a company from zero, you have no choice . . . you don't make a decision that you want to be entrepreneurial. You, in fact, are entrepreneurial because that's your existence," Taylor said.

In addition to writing and producing Softsoap's sales promotion material, Taylor and Marx personally oversee all aspects of commercial production — from scriptwriting and storyboard creation to casting and editing.

"We know what we want in our advertising and packaging," observed Marx. "So rather than me telling an account executive, who's going to tell a creative supervisor, who, in turn, is going to tell a creative person and then come back again, we do it ourselves."

Said Taylor: "Wally and I can have a one-hour meeting and accomplish what agencies would take weeks to develop. We shortcut the process by deciding where we want to be — often with the help of focus groups."

Freelance or in-house writers are tapped to generate commercial scripts and ad copy, which are subsequently revised by Taylor and Marx. Minnetonka's in-house advertising capability allowed the company to conceive, produce and air its Work Soap tv spots within a three-week period.

There are exceptions, of course, as was the case when Minnetonka used an outside agency to produce its ShowerMate spots. "Sometimes you need an outside person to look at the facts. Sometimes we're so close to it we miss the obvious," said Taylor.

Minnetonka uses Minneapolis-based Cash Plus, Inc. to handle media buying. Marx works directly with that buying service's principals, Chuck Percival, who handles buying, and Dale Applequist, who does much of the media planning.

The bottom line of Softsoap's success, explains Taylor, is what stands behind the cane-motif container, not what's in it.

"If you go into consumer products, you go in knowing that your product is going to be a parity product and no better; that your specialty is going to have to be consumer communication, marketing strategy and developing people skills that are equal to or better than anybody else's."

Steve Raddock

Steve Raddock is creative director of Patten Corp., a Detroit-area advertising agency, and a former assistant editor of Decisions.

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APPLIANCES

15 TOP MARKETING SUCCESSES 1981

Atari's video game invasion

In 1981 Atari began reaping the rich rewards of plans laid by parent Warner Communciations in 1976 — a total domination of the video game market. Last year, Atari provided one-third of Warner's operating income, and advertising spending is doubling geometrically each year. The only surprise to the people at Atari: success has come sooner than expected.

ATARI

Ray Kassar, chairman

Doyle Dane Bernbach

Atari has not merely captured, but, by common consent is acknowledged to have created 70% of the video game business. In 1981, the company provided one third of the operating income of its parent, Warner Communications — most of whose other sectors are also very profitable. And, with an ad budget for 1982 of $100 million, according to president Michael Moone, it may not be difficult to see how ceo Raymond Kassar can say, "Next year we expect additional growth, so we should maintain, if not improve upon, our percentage of Warner profits."

That $100 million will be divided between network television, which gets $75 million, and a co-op retail campaign, for which the remaining $25 million is designated. Discarding the seasonal toy and game image with a vengeance, Atari commercials will be seen every week of the year.

It may have been a bit difficult to see this eleven years ago, when entre-

A CEO who's involved in every ad created

Ray Kassar, chairman and chief executive officer of Atari came to Atari — and Atari came to Kassar — in 1977. His previous career at Burlington Industries culminated in his appointment as executive vice-president and a member of the board of directors. He also quit Burlington that year, reportedly dissatisfied with not being made president. He formed his own business, the R.E. Kassar Company, which manufactured and marketed Egyptian cotton clothing in the U.S.

In March, 1978, Kassar became general manager of the consumer electronics division of Atari, and in January 1979, was named ceo and chairman of the board. Kassar says that he did everything he could to turn the job down. He is reported in a local California Silicon Valley newspaper as having said at the time: "I was almost indignant when they offered me the job. They wanted me to run the consumer division — not even the whole company. Besides, I didn't know anything about electronics and I didn't want to live in California."

"On paper, you could say it represented a radical change from textiles, from a fashion oriented industry

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preneur Nolan Bushnell founded Atari with $500. (The name comes from a term in the Japanese game of Go.)

It would have been even more difficult to be a seer ten years ago, when Bushnell's creation was on the brink of bankruptcy. Its one product, "Pong," the first video arcade game, faced a controlled and hostile distribution system. In 1975, Bushnell introduced a home version of "Pong," which sold out faster than Atari could make it. So the entrepreneur tried to sell his creation to Disney and to MCA. In 1976 Warner took the bait that nobody else was particularly hungry for, at $28 million. Even then, the most persistent of Warner decision-makers could not have allowed himself to dream of over $900 million in revenues and $200 million in profits in 1981.

But Warner Communications had a strategy in mind in 1976, a game-plan peculiar to and characteristic of the major entertainment corporation success story of the 1980s. That very label, "entertainment corporation" is significant to the Warner success, another is that they are now far more than that.

While Hollywood was falling apart in the 1960's, new Warner management was able to seize upon — better than any competing studio — the similiar communications markets in records, books, comic books and then video games.

In 1976, who else but Warner Communications could have made the connection between a movie that attracts attention in theaters, thence to be sold to various consumer home delivery systems; and recorded music — attracting publicity on radio and then sold to consumers in album form; and then video arcade games, which help presell home video games? The question is moot. Warner did it.

Perhaps another reason for Atari's dominance in its category can be found in comparing Warner's corporate identity with that of Atari's competitors. Most are game and toy manufacturers. Two, Sylvania and Magnavox, make consumer electronics products — chiefly "hardware." Atari has positioned its games as consumer electronics goods, directing its ads almost entirely towards an adult and family audience.

Only now that this identity is firmly established, is Atari's campaign beginning to focus attention on kids as well in some of its media usage. Competing games-makers seem to have mispositioned the relatively high-priced video games within the children's games market. At the same time, competitors with electronics backgrounds lacked Atari's Warner-style emphasis on software. Among industry observers, a readily apparent concensus is that Atari's software is far ahead of all competitors in consumer-perceived quality.

Says ceo Ray Kassar: I certainly think that we have the most talented, creative group of software developers to high technology," says Kassar. "But there are many fundamental similarities. Beyond the fundamentals, I've had to adapt. I'm lucky I fit in."

Ray Kassar has done more than simply "fit in." He has presided over Atari's growth from a company of under 1,000 employees to over 10,000, from income of about $25 million to over $1 billion, all in only four years. He has taken a small, entrepreneurial company known for its laid-back California style into a much larger industrial realm without leaving behind the entrepreneurial, relaxed way of doing business.

Advertising is integral

Kassar, more than most perhaps, views advertising as an intergral part of his company's organization. One of his first acts as ceo was to raise his ad budget to $5 million and advertise all year-round, demonstrating to industry and the public at large that video games were not merely Christmas toys. Says David Sklaver of DDB, "He's a ceo who's involved in every ad created. He will read or screen each and every ad before it is released, and discuss it. His involvement with everything is day to day -- much heavier then most clients."

Kassar had a reputation, during his 25 years at Burlington for healing one sick division after another. And Warner needed just such a troubleshooter for Atari. "I told them I'd come out here for only two days a month to manage the operation and they said, 'anything you want.'"

"The division was without direction and it lacked structure," Kassar said back in 1980. "There was no long-range strategy, things weren't confirmed in writing, quality control was lacking, and the retail community thought our whole video game was a fad."

Liked entrepreneurial feel

Kassar found coddling engineers in Silicon Valley similiar to coddling designers in New York. He liked the entrepreneurial feel of the company and he liked working at slightly unorthodox Warner Communications. "We respond quickly to new ideas," he says. "And I try to make sure that we don't get bogged down in the struggle to write the longest memos. I have to be involved and I have to delegate, and so does everybody else. It's people chemistry that makes for success.

"Beyond the product you have to have the proper positioning, primarily through advertising, and p.o.p. at retail. It's a mix of key ingredients — a whole coordinated effort."

Kassar is carrying on in the traditions set by the man who invented Atari, Nolan Bushnell, who got the whole thing started on an investment of $500. That was 10 years ago, with the company name borrowed from a Japanese game called "Go." Bushnell's first product was a game called "Pong," and that did not work out well as a game intended for use in arcades. The founder found himself on the verge of bankruptcy — then hit on marketing a home version of "Pong." This one sold out faster than he could make it. The rest is history.

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in the country. Now that others — competitors — are making software for our machines,that also demonstrates the respect that our hardware has achieved. But I feel confident that we will continue to dominate the software end as well. When I got here, four years ago, the business was mostly coin-op. We developed our own "hits," and then started marketing them to the home.

For example, we know that a big hit in coin-op such as "Asteroids," invariably translates to a consumer hit. Our own built-in marketing research is almost fool-proof.

In essence, Atari has made its game computer console the standard American delivery system for home video games, and also produces the software "hits" that are, even now, a much larger market than the hardware. It is as if, in the movie business, Warner owned 80% of the theaters in the country, made 70% of the televisions, and also made all of the programing.

As the video game market matures, it is inevitable that Atari will solidify its hardware position as the standard — and other manufacturers increasingly will turn to making software for Atari's hardware.

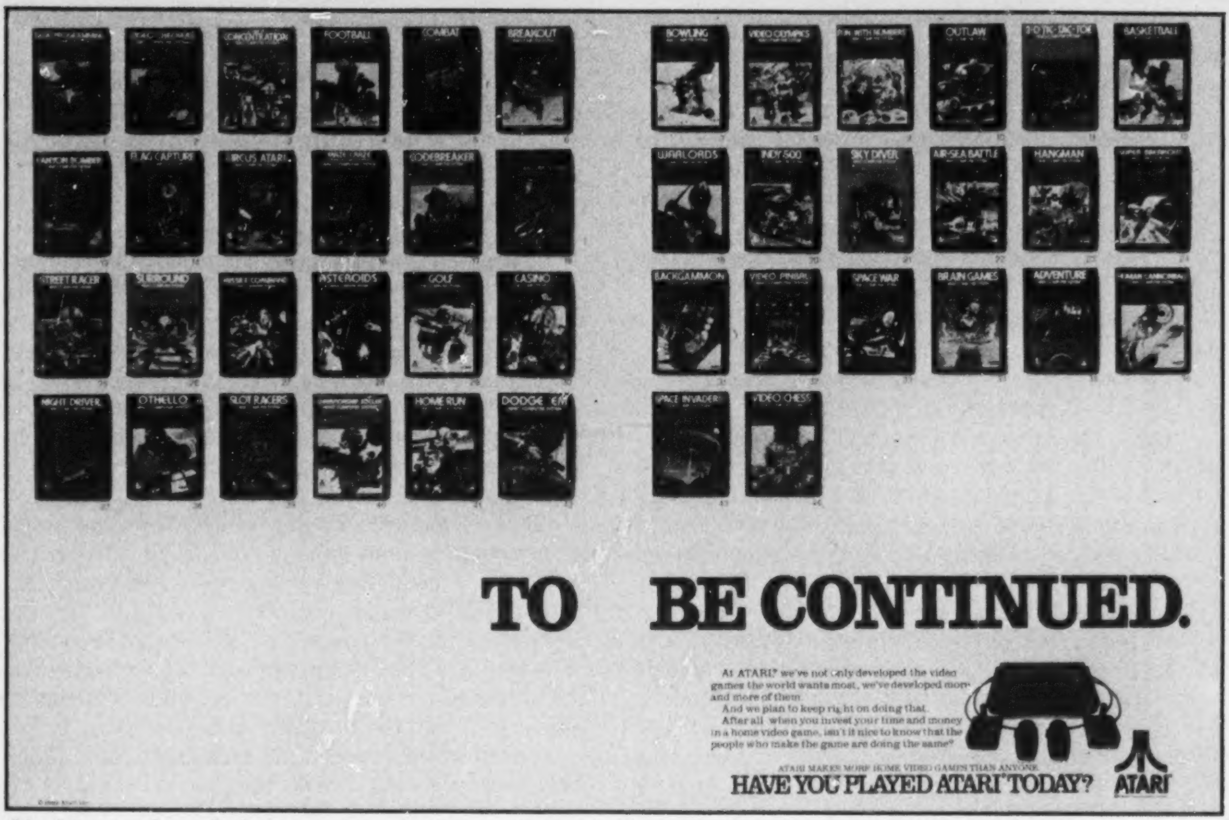
One source of such outside software is Activision, a company made up of some former Atari Software creators, who split from the company in 1979. Atari generated a $20 million legal action against Activision in 1980, charging the latter with unfair competition, trademark infringements, and conspiracy to appropriate trade secrets. At the end of 1981, the suit was settled out of court, with Activision now a licensed game cartridge manufacturer. Mattel is also an Atari-licensed software maker, signalling a possible eventual abandonment of that company's own hardware.

Magnavox, maker of Atari's closest competition, "Odyssey II," tried a different tack — and lost.

Odyssey does not have the ability to generate its own arcade hits, as Atari does. Atari's current major arcade craze is "Pacman," and Magnavox brought out a home "Pacman" clone during last Christmas' selling season. In a March decision in U.S. Court in Chicago, Atari forced North American Philips, parent of Maganavox, to take its imitation off the market. NAP is appealing the case. The message is clear: the video game market is Atari's.

As has perhaps already been made clear, this wonderful state of affairs (from the Atari point of view) has not come about through big marketing bucks alone. LNA/BAR figures for 1979, the year before the video game explosion, show Atari's ad expenditures about the same as everybody else's in the nascent category. LNA for 1980 shows Atari's expenditures, commensurate with its income, rising sharply to $6.7 million.

Expenditures did not exceed those of major competitors Mattel and Mag-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TO BE CONTINUED.

At ATARI® we've not only developed the video games the world wants most, we've developed more and more of them.

And we plan to keep right on doing that.

After all, when you invest your time and money in a home video game, isn't it nice to know that the people who make the game are doing the same?

ATARI MAKES MORE HOME VIDEO GAMES THAN ANYONE.

HAVE YOU PLAYED ATARI® TODAY?

Atari four-color ads in magazines display packages to stress variety of special programing.

navox. The difference was in product positioning, and ad positioning. "We put a significant amount of money into primetime television advertising for our video game product," says Kassar, "We established the products as year-round consumer electronics items, not just Christmas products."

In 1980 Atari invested $3.6 million according to LNA, in network tv and $1.7 million in spot tv in behalf of its video game cartridges. It added to that $1.4 million in magazines in behalf of Atari computer video systems. It spent $103,000 in newspapers and $30,000 in spot radio. In contrast Mattel put practically all of its $7.2 million budget for electronic games into tv — about half in spot tv, half network.

The agency for Atari's video games has been Doyle Dane Bernbach since that first big push in 1980. David Sklaver has been account executive for most of that time.

One of his goals has been to humanize the machines through advertising. This has been especially true recently, with the growth of a nascent parents' movement to wean children away from the supposed harmful effects of the games. He says, "What we've been trying to do in Atari's tv advertising is build warmth and humanity around the machine. With this being a controversial subject now, we want to portray it in a warm light similar to any everyday appliance. We try to establish it in tv as a member of the family, whereas print is more factual.

Michael Moone, president of Atari, believes Atari's built-in, research is "almost foolproof."

"In Atari's case, we're beginning to use print to address what's perceived as not good about the product — and we've been doing this all along, ranging from, "is it bad for the tv?" to "is it good for my children?"

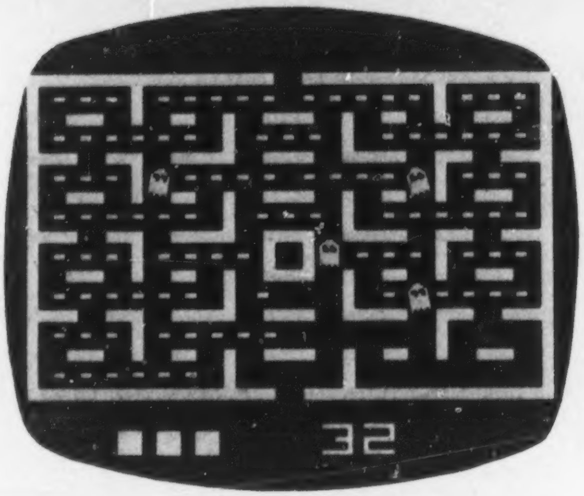
In print, Sklaver says, there are two thrusts. One is "addressing those underlying doubts," the other is promoting the hardware. Adults buy Atari's hardware, kids don't. Print ads therefore follow a classic consumer electronics magazine and newspaper pattern. Parents and kids buy software together, so the family audience reached by tv spots is appropriate. Software ads have also been running for three years in Warner-owned *DC Comics*.

"There are things we can do in the comics that are not possible on tv, such as exaggerated drawings. The subject in the comics ads is always software," says Sklaver. "We also use those ads been since before I came on board. Even in the coin-op business, that's a consumer business. Our company objective has been to be the leading, innovative consumer product company. For instance, we're working on new technology now, beyond home computers, which is our next growth area, that has really nothing to do with either video games or computers."

Next conquest: home computers?

For now, and for the past year, computers have been the "next" area for Atari. Positioning theirs as a true "home computer" similiar to the Commodore VIC, the Radio Shack Color Computer, and a new model from Texas Instruments, Atari is avoiding the "personal computer" designation of the likes of the Apple II, the Radio Shack TRS-80 II and III, Commodore Pet, etc.

Kassar hints that 1982 may be the big change year for computers — even as 1980 was for video games. "You don't grow a tree in three months," he says. "We are building the foundation now." That foundation is partly composed of the success of Atari's video games, partly that of the "personal," or very small business computer.

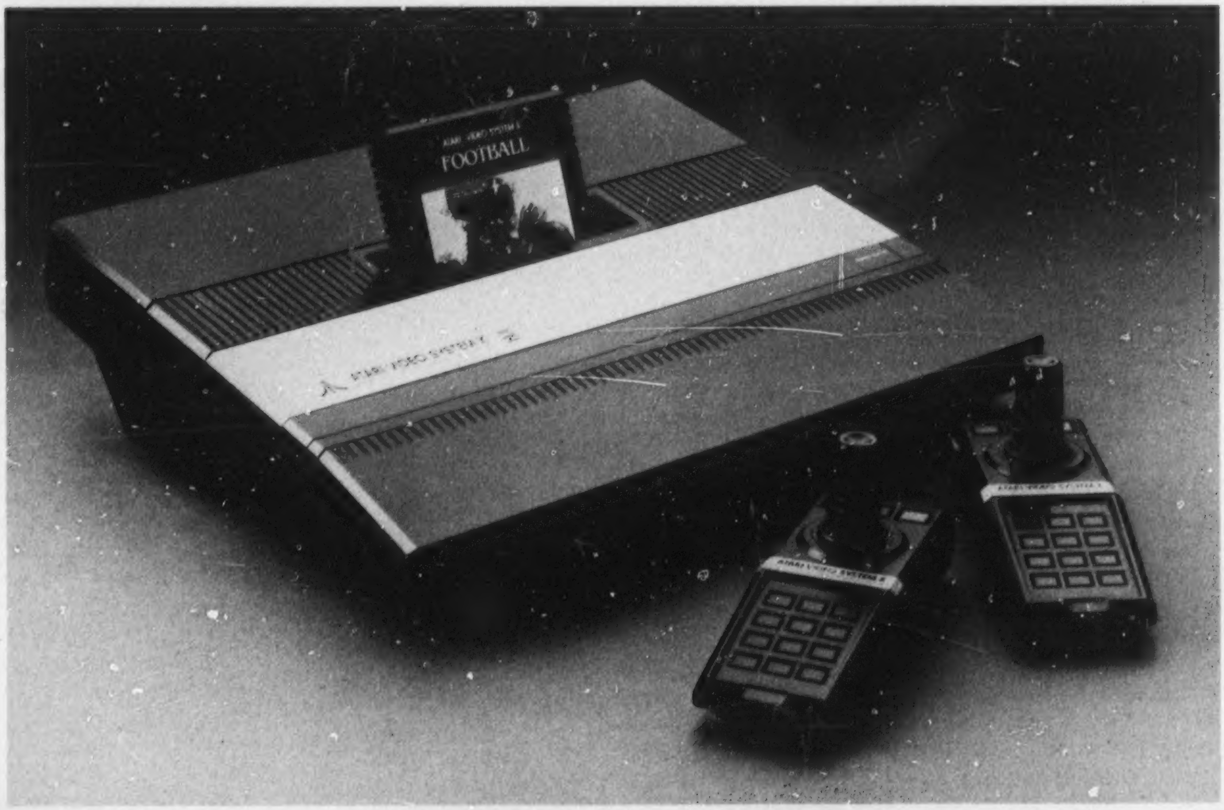


Pac-Man is newest and most popular — and is the subject of a specific push in major media.

Atari's agency for the computer, as well as for corporate communications, is Young & Rubicam. It is estimated that ad spending on the Atari computer in '82 will be near $10 million, though it has barely begun.

Add to this years of R & D on the product, two years of foot-dipping into the computer marketplace, and perhaps the largest team of development engineers in this fledgling indus-

Atari's new advanced game system is housed in a streamlined console. The more people buy these units, the more people will want to buy the game software — and that's where Atari expects to make a killing.



try, mix well, and you may well have the next consumer electronics product to be dominated by Atari and its enterprising team.

You'd think they had their hands full with the one they've already got going in the marketplace.

Competition left behind

The Atari ad blitz this year is simply taking the industry by storm. With its $125 million factory and retail advertising budget, the other game advertisers are being left in the metaphorical dust. But then, Atari's budget for 1982 dwarfs its 1981 budget, which according to Leading National Advertisers, led the industry with a total of $22,800,400. In fact, Atari's 1982 budget dwarfs even the category, which includes cassette tapes, television antenna systems and a variety of sophisticated home video and audio equipment. The total for that whole category last year came to $56,113,700. So at one fell swoop, Atari more than doubles the category total.

The latest responder to the Atari challenge is North American Philips Odyssey division. Last year, Odyssey was the third ranking spender in the category, with $5.2 million being measured by LNA. Sixty percent was spent in network television, and the rest pretty evenly divided between magazines and spot television.

But even when Odyssey decides to quadruple its ad budget for 1982 for its new generation of games, it doesn't quite match Atari's total for the previous year. With a total of $25 million in advertising and sales promotion, Odyssey is still coming in $100 million behind Atari.

That jump in budget demonstrates again just how hot the computer game category is becoming as a marketing and advertising arena.

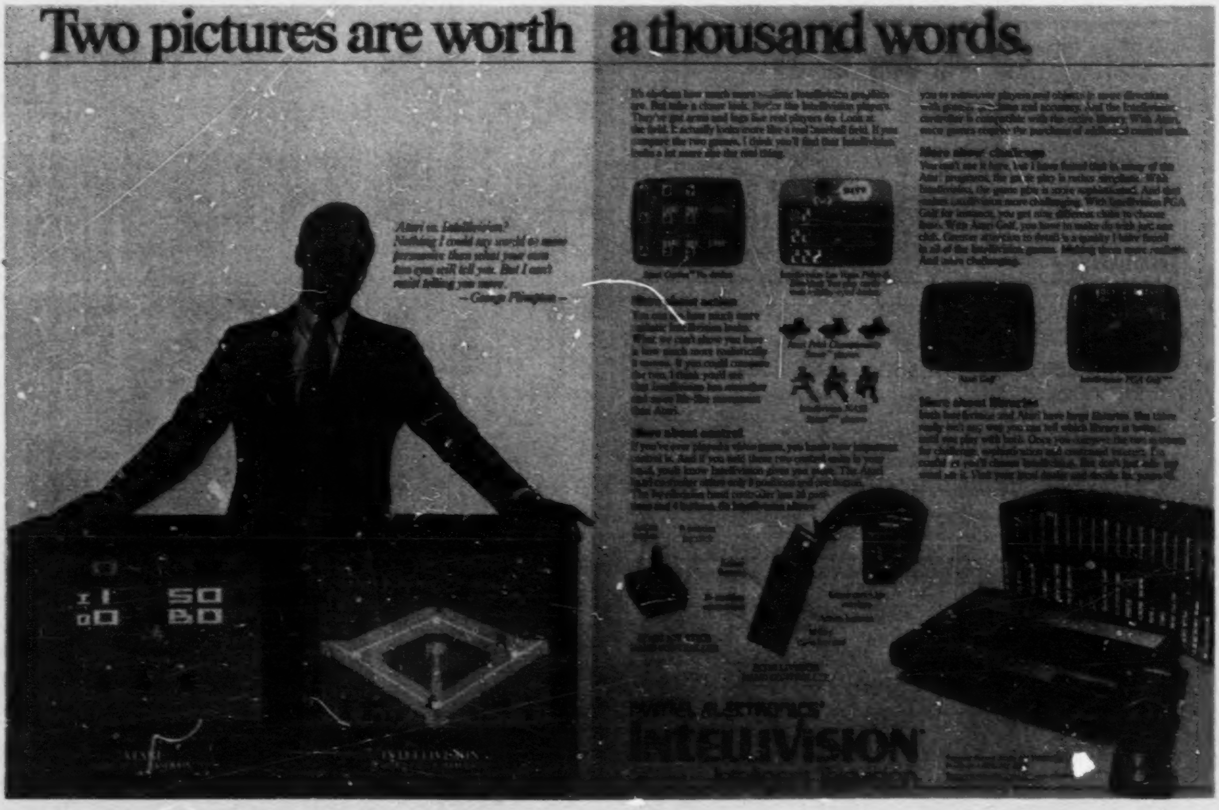
In April, Odyssey unveiled its new games at the ballroom of the World Trade Center in Manhattan, the first big move, but an expected one, since the brand was acquired by North American Philips, to join its other electronic brands, Magnavox, Philco Sylvania. In fact it was Odyssey that introduced the first home video game in 1972, and in 1978, introduced microprocessor technology to the field and the first videogame to include an alphabet and number keyboard. But all of that didn't keep Atari from gobbling up the game market.

In a new twist, Odyssey is taking the emphasis off hand-eye coordination and introducing the element of thought, a genuine switch for this game category, with the introduction of "The Great Wall Street Fortune Hunt." The suggested retail price for this game, as for the other new ones from Odyssey, is $49.95.

This new game is designed to duplicate real life pinnacles and pitfalls of Wall Street. The thrills of high finance spring to life on a colorful gameboard that combines with a video game cartridge to simulate all the excitement of the New York Stock exchange. A true-to-life ticker turns any television screen into the big board as the latest market quotations flow across the screen.

A key question is whether the market is ready for games of mental interaction. Odyssey's other new games, Quest for the Rings, and Conquest of

Mattel goes head-to-head with Atari over quality of graphics of game figures.


Two pictures are worth a thousand words.
Atari vs. Intellivision? Nothing I could say would be more persuasive than what your own two eyes will tell you. But I can't resist telling you more.
—George Plimpton—
MATTEL ELECTRONICS
INTELLIVISION

1981 media expenditures for electronic games

Brand	Total	Magazines	Network tv	Spot tv
Activision	$ 1,864,200	$ 501,400	$ 670,200	$ 692,600
Mattel	9,076,500	612,800	5,468,600	2,995,100
Odyssey	5,200,300	1,016,500	3,148,000	1,035,800
Atari	22,800,400	1,804,300	18,915,600	2,169,700

Source: Leading National Advertisers, Broadcast Advertising Reports

the World, Freedom Fighters, and Pickaxe Pete, will rely on the traditional mode of hand-eye coordination.

At the introduction, an audience of press and guests from Wall Street brokerage houses appeared to be much more interested in the traditional arcade type games that require little thought. But Odyssey is gambling, or at least testing the waters, to see if the computer game market has risen above the level of tic-tac-toe to a form of electronic Monopoly.

In its own research, Odyssey and North American Philips finds an expanding goldmine of sales and marketing opportunities. David M. Arganbright, vice president and general manager of Odyssey said, "Research indicates that the domestic video game industry will sell five million game consoles in 1982, increasing market penetration to 14 percent. Considering the fact that the typical owner buys an average of six cartridges within one year after purchase of the game, and that number reaches about 10 cartridges after a year of ownership, one can see the lucrative profit potential." Some observers, he notes, estimate that video game penetration will reach the point of 20 percent by the end of 1983.

Arganbright foresees a growing demand for players having an active role in the video games they play. "In the next few years, there probably will be a merging of video games and home computers.

The video game was the first medium in which the user totally controls the television set and it's made people comfortable with this type of interaction. In the future, players are going to demand an even more active role in their games. We plan to accommodate this consumer demand by taking greater advantage of our keyboard's user-programmable capabilities."

Arganbright said that in addition to video-board games, the other major development in software will be "talking" cartridges, which will be available later this year. Odyssey's upcoming voice and sound module, for example, attaches to the existing

PLAYBOY INDUSTRY VIEW: JAN SODERSTROM

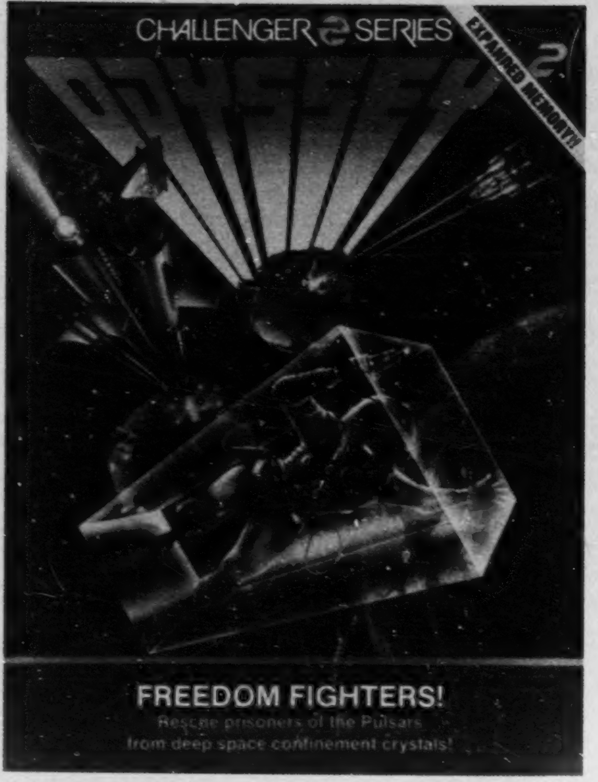
comments on reaching the consumer-electronics market, from the v.p. of advertising, atari, inc.

PHOTOGRAPHY BY BARON WOLMAN

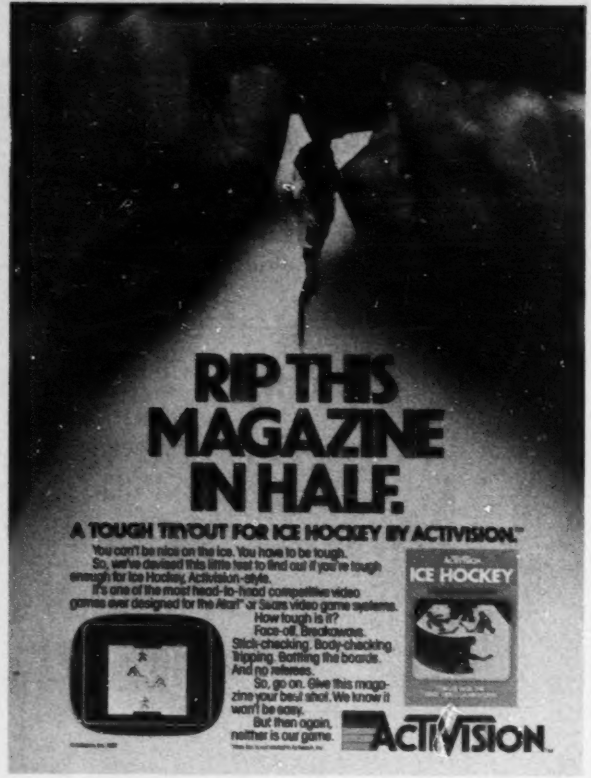
"Video games are hot right now because they're different from other forms of entertainment. They're interactive—people can help determine the outcome of the story line."

"The games are not passive entertainment. Not surprisingly, the people who buy our products lead active, energetic lives. They're heavy information seekers."

"It's important for us to be in a magazine that appeals to that sort of person. We want to reach opinion leaders—the people who want to know what the latest thing is."


CHALLENGER SERIES
ODYSSEY 2
EXPANDED MEMORY!!
FREEDOM FIGHTERS!
Rescue prisoners of the Pulsars
from deep space confinement crystals!

Odyssey challenges Atari with space invaders game.



RIP THIS MAGAZINE IN HALF.

A TOUGH TRYOUT FOR ICE HOCKEY BY ACTIVISION.™

You can't be nice on the ice. You have to be tough.

So, we've devised this little test to find out if you're tough enough for Ice Hockey, Activision-style.

It's one of the most head-to-head competitive video games ever designed for the Atari® or Sears video game systems.

How tough is it?

Face-off. Breakaways. Stick-checking. Body-checking. Tripping. Batting the boards. And no referees.

So, go on. Give this magazine your best shot. We know it won't be easy.

But then again, neither is our game.

Activision touts hockey as tough game to play on tv.

PLAYBOY: Reach the readers who are first with the latest. Reach them in PLAYBOY—where American men go to find out about the things that interest them most.

Entertainment. Sports. Fashion. Fiction. PLAYBOY is the source. And no other general-interest magazine gives greater coverage of consumer electronics—including video hardware and software—than the American male's favorite magazine.

Armed with authoritative information, PLAYBOY readers form the vanguard of the Electronic Revolution. For example, 26 percent of PLAYBOY readers already own video games.

Advertise in PLAYBOY. And be the latest thing in the PLAYBOY reader's life.

The Playboy reader.
His lust is for life.

Source: MRI, Fall 1981; PLAYBOY Subscriber Study, Spring 1981, conducted by Leslie A. Riffkin & Associates. ©1982 by Playboy.

Odyssey hardware, and with new cartridges, will be able to speak messages typed on the keyboard and give spelling and math drills. Speech enhancement also will be added to some of Odyssey's existing cartridges, and all existing cartridges will still be compatible with the system.

Odyssey sees the cartridge retail price as being immensely profitable to retailers, and no doubt so is Atari's cartridge business. Last year, an Odyssey trade ad campaign spelled out to dealers exactly how they could make a million dollars in cartridge profits alone over a four-year period. It could be done by selling 1,786 Odyssey video game systems.

If today's sales forecasts are on the mark, even those heady figures might prove to be conservative projections.

Elsewhere among the competition, emphasis is placed on the visual quality of the game figures, the realistic evocation of the game environment. Mattel's Intelevision features spokesman George Plimpton to draw invidious comparisons between Intelevision's depiction and Atari's rendering of game figures and background, pointing out that Intelevision's are more realistic and also more complete.

That raises the question of just what people buy their home television games for, visual delight and as authentic as possible game background, or the chance for raw combat with the limited form of intelligence represented by the console computer and game program.

Mattel has been the most willing to go head to head with Atari on network television, and last year was the second biggest spender, at just over $9 million in LNA measured media. But Atari comes back with its huge inventory of games.

There is also social spill-over in the marketing of electronic games. Some parents have become alarmed at the degree to which their children appear to be willing to become servomechanisms to a video screen.

Undoubtedly, controversy and social speculation will surround the growth and development of computer games and the direction they suggest for society. As they move from the arcade into the home, in ever increasingly sophisticated forms, they will take time away from mere television viewing.

Neil Weinstock

15 TOP MARKETING SUCCESSES 1981

Sunkist

What's in a name?

General Cinema Corporation found out when it bought the rights to use the Sunkist orange brand name for a new orange soda. The massive consumer recognition and acceptance of the brand, along with astute marketing and distribution, made Sunkist Orange Soda a $30 million sales gold mine in 1981. But even at that, it took a lot of courage and $23.1 million over three years to reach profitability.

Sunkist
Sunkist

SUNKIST ORANGE SODA

Russell Hamlin, president, Sunkist Growers
Mark Stevens, president, General Cinema
Foote, Cone & Belding

Four years ago, the name Sunkist meant oranges and lemons.

Today it means oranges, lemons and carbonated soda as well.

The growth of Sunkist brand orange soda from a test market product in 1978 to the 10th best selling soda in the U.S. in 1981, is little short of sensational. That such a performance should be achieved in the orange flavor category makes the accomplishment astounding. These days, even getting a cola off the ground is a demanding proposition, as Walter Mack, founder of the defunct King Cola Corporation, well knows.

The orange flavor category in soft drinks has been in a state of disarray for some years. In the 1970s, no one brand was able to develop preeminence. There were over 400 brands, none with a sure grip on the market. By the time Procter & Gamble purchased Crush International in August 1980, Sunkist was well on its way to a resounding success.

At the end of 1981, Sunkist was closing in on a 2% share of the U.S. soft drink market, within striking distance of its goal of 3%, which would give it the fifth spot among soft drink brands.

The responsibility for that success rests in two areas — product development and shrewd, sound marketing.

Plans for the introductory program of the Sunkist brand were conceived by Russell Hamlin, president of Sunkist Growers, Inc., and Charles Johnson, export sales manager, back in 1974. Sunkist Growers supplies 50% of all fresh oranges in the U.S. and 70% of lemons. Sunkist Growers developed the product, and General Cinema Corporation, the largest independent bottler — as well as the largest theater chain in the country — took on bottling, franchising and distribution.

But why orange soda? Because it was an undeveloped flavor category that had no real brand leadership.

John Stacy, in his soft drink market

2 Liter
Lightweight Plastic
Sunkist
Good Vibrations
Sunkist

Top 10 soft drink brands

Brand	1981 market share	1981 Cases (000)[1]	1980 Cases (000)[1]	1981 Brand Growth
Coca-Cola	26.5%	1,495,000	1,452,000	3.0%
Pepsi-Cola	19.5	1,100,000	1,045,000[2]	5.0
Dr Pepper	4.9	277,000	301,300	(8.1)
7Up	4.9	275,000	296,000	(7.4)
Tab	3.5	196,000	175,300	11.8
Mountain Dew	3.2	178,970	169,000[2]	5.9
Sprite	3.0	168,500	153,400	9.8
Diet Pepsi-Cola	3.0	168,000	150,960[2]	11.1
Royal Crown Cola	2.7	152,000	164,400	(7.5)
Sunkist	**1.7**	**98,000**	**82,200**	**19.2**
Top 10	72.9%	4,108,470.0	3,990,460	2.96%
Other brands	27.1%	1,524,315.1	1,488,370	2.42%
Total industry	100.0%	5,632,785.1	5,478,830	2.81%

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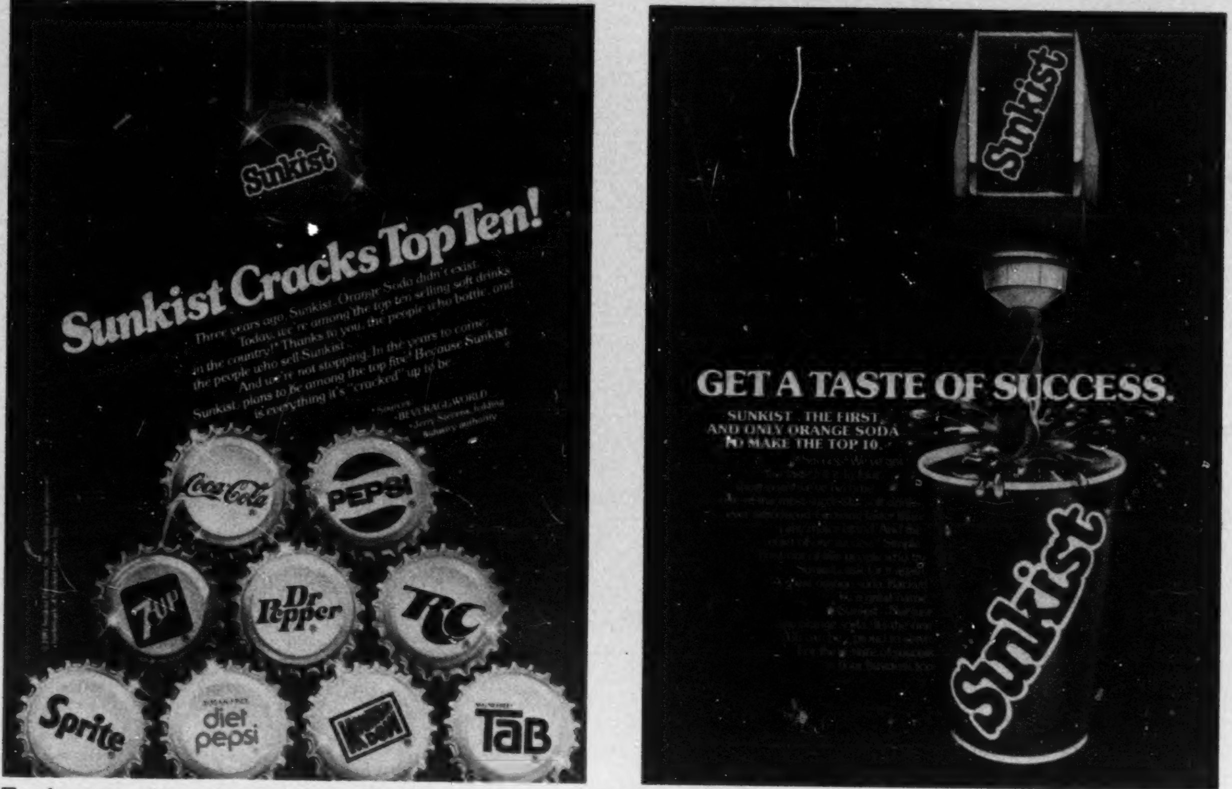
[1] Eight-ounce equivalent cases
[2] Revised 1980 cases

Source: *Beverage World* estimates based on industry contacts.



Sunkist Cracks Top Ten!

Three years ago, Sunkist Orange Soda didn't exist. Today, we're among the top ten selling soft drinks in the country!* Thanks to you, the people who bottle, and the people who sell Sunkist. And we're not stopping. In the years to come, Sunkist plans to be among the top five! Because Sunkist is everything it's "cracked" up to be.

*Source: BEVERAGE WORLD, Jerry Steinman, leading industry authority

GET A TASTE OF SUCCESS.

SUNKIST. THE FIRST, AND ONLY ORANGE SODA TO MAKE THE TOP 10.

Trade magazine ads exult over cracking the top ten in soft drink sales (left), and plug retail counter sales. Sunkist's ad copy to the trade consistently underscores the brand's rapid growth.

study commissioned by *Beverage World*, noted that "Orange is the 'universal' flavor for all people; the old, the young and the in-between. All ages, both sexes, the ethnic market, and all seasons."

As Sunkist went into test market in 1978, initial research indicated strong consumer preference for the brand as well as high repeat sales and seasonal volume compared to Coke and Tab.

Test markets for Sunkist included the New York metro area, Rapid City, South Dakota, Winston-Salem, North Carolina, Shreveport, Louisiana and Texarkana, Texas. Only a few months after the test market introduction in January, the brand moved to the number three spot in the New York metro market — significantly behind Coke and Tab.

Stacy's analysis of the subsequent success shows four major factors:

1) The Sunkist name, which is synonymous with orange flavor, carrying strong connotations of fruit flavor, purity and nutrition.

2) The bold orange package design with a bright blue logo that retains the Sunkist heritage with dramatic shelf impact.

3) The use of the old Beach Boys song, "Good Vibrations" as the advertising theme in broadcast media. The song also reinforces the brand image by suggesting the mood and ambiance of the California lifestyle.

4) Sunkist filled a void in the orange flavor segment.

Another vital element is the knowledge of bottling General Cinema acquired over the years. Of the brand's current 420 bottlers, the first 24 were GCC plants, which are strong contenders in the markets they occupy. Additional bottlers selected were usually the largest, marketing the leading cola and diet brands in the market. But selection was also made with an eye to achieving a balanced mix of the leading soft drink brands.

Bottler response to the Sunkist effort has often been favorable, getting such responses as: "Here's a brand that did everything right . . . But then, it's a bottler company, so they know what we need . . . Their programs are designed to work well."

In return for efficient programs from Sunkist, bottlers have been willing to work hard for the brand.

The fact that Sunkist is a one-flavor company and brand has also worked in its favor. No element of confusion has been added to the idea that Sunkist means orange.

In 1980, Sunkist expanded its product franchise with the introduction of a diet formulation. Sunkist's reasoning for the extension runs this way: Sunkist regular is aimed at the youth market, 18 to 34. That left the top age demographics open, so Sunkist positioned its diet version against adults 35 to 49.

With that distinction in targeting, it was assumed that a minimum of cannibalization would occur. Research has since shown that 66% of Sunkist Diet purchasers are new users.

Getting a new brand out in a hurry is an expensive proposition. Realizing that, General Cinema and Sunkist Growers chose a pay-out system to get the brand going. Published data shows that Sunkist had sales of $9.6 million in 1979, against a $10.8 million loss.

Sales reached $21.5 million in 1980, against an $11.7 million loss. Results for 1981 show $33.7 million in sales and a $4.7 million dollar loss.

The 1981 annual report states that Sunkist Soft Drinks operated with a profit in the last quarter of the year, and says the division "has turned the corner."

Sunkist's advertising strategy has been primarily local while it moved out to national distribution. In 1979 and 1980, spot television and radio were the exclusive media choices for the brand. Last year the media selection was more national, as distribution for regular reached 93% of the country, and diet had reached 64% of markets.

Sunkist has definitely not lost sight of the necessity for strong local pro-

Storyboard for tv commercial features young people getting "good vibrations" out of Sunkist.

MUSIC: (GOOD VIBRATIONS) Good Good Good

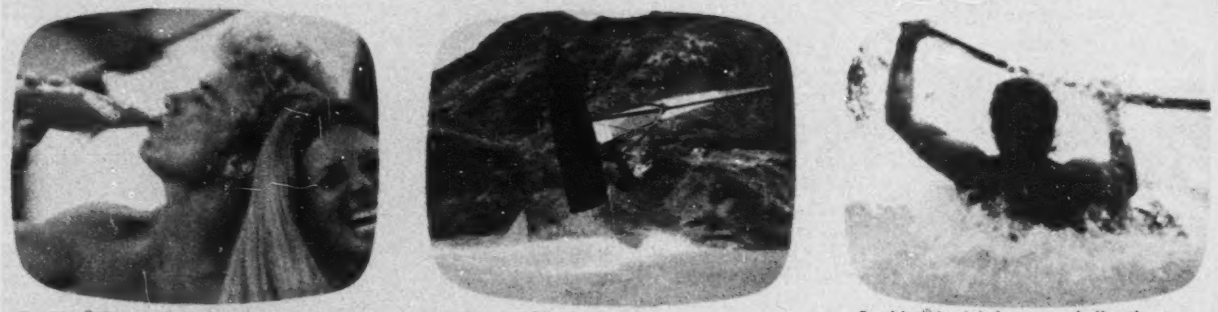
Good Vibrations

Sun and surfing excitation

call for Sunkist®

good vibrations.

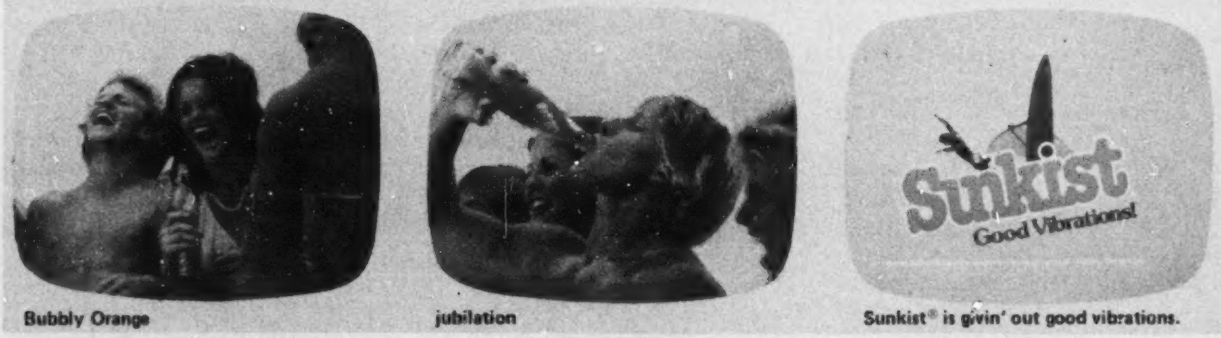
Bubbly orange jubilation



Sunkist® Orange Soda

taste sensation

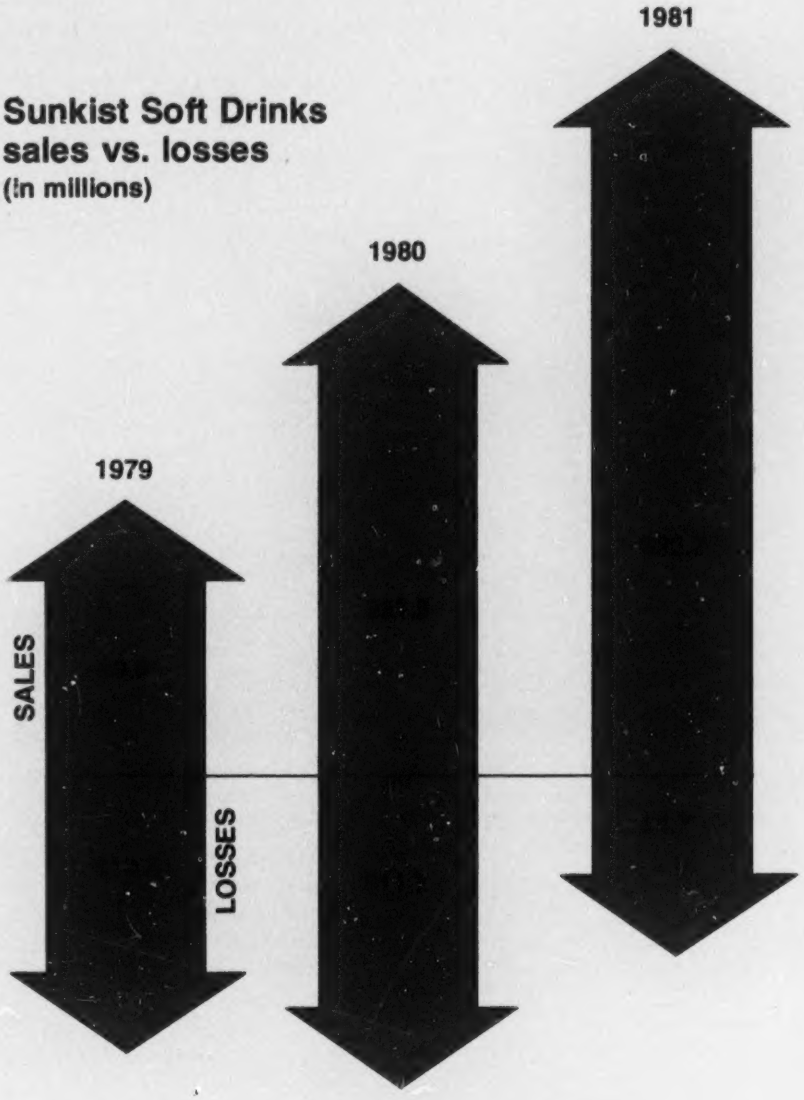
Sunkist® is givin' out good vibrations.



Bubbly Orange

jubilation

Sunkist® is givin' out good vibrations.



Sunkist Soft Drinks sales vs. losses (in millions)

grams that the regional bottler can depend on and merchandise to the retail trade.

The ground work for success was laid by three individuals, Sunkist Soft Drinks, Inc. president Mark Stevens, vp-national sales Peter Murphy and treasurer Ray Sisson. Murphy has reminisced about the company's start in 1977 in previously published material: "There were just three of us, Stevens, Sisson and me. Before we moved into these offices, we were in a basement for three months and spent all our time doing market research."

Three key questions had to be answered, he related: would consumers like the drink? would it achieve repeat business, and would it maintain strength across seasonal lines?

Their research showed a substantial market for an orange soda of 330 million 12-ounce cases in 1977, accounting for 7.5% of U.S. soft drink volume. Orange Crush and Fanta each had a 1% share. But even Fanta, at best, had 70% national distribution, and through bottling companies that had little enthusiasm for the product. New York Coca Cola, which bottles Fanta, did little or no merchandising or promoting for the brand. Neither the Los Angeles nor Houston Coke bottler handled Fanta. It was a vulnerable brand.

Orange Crush was distributed in 65% of the country, and also seemed vulnerable to a solid marketing entry.

Continuing the story, Murphy explained: "We had a 33-week schedule to open in six lead markets, by May of 1978. In that time period we had to plan marketing, advertising, package design, and most important, arrive at our final product form from the 36 different formulations we started with. Well, we made it," he said.

President Mark Stevens then developed the theme: "There's an art to new product development. Taking famous brand names associated with flavor excellence and transplanting them into other brands has been done in the food industry — for example: Dole pineapple upsidedown cake under the Betty Crocker label. But it had never been done in the soft drink industry prior to Welch's.

"We made a hefty commitment to research and development. The orange soft drink market is a $1 billion-a-year retail business and certainly justifies a national brand," he explained. "We aimed to build our product with national brand equity."

Stevens also extols the decision to focus exclusively on the orange flavor category in what he calls a rifle shot approach. And there are several ways to go at that. "One is an attempt to create a new taste category with new flavor appeals (say apple or pineapple).

"Such an entry is quite bold and much more difficult than the second type, brand innovation within an established category of consumer interest. In the latter, you identify an existing flavor preference, like the 100 year old interest in carbonated orange drinks, and then you go after that market aggressively, as we're doing. The risk is lower with this type of entry; I feel it's a superior alternative and can provide something that will last," Stevens said.

Stevens also sees flavor specialization as an expected development —

one that has occurred before in many packaged goods product categories. "Specialization trends in the soft drink industry are following those in other established packaged goods industries. In the breakfast cereal business, for instance, consumers buy from a pool of about six brands. Any brand that cracks that pool is a success. In the soft drink industry, consumers also generally remain loyal to a pool of a few brands. Sunkist is cracking that pool instantly."

Stevens assures, "We have no intention of being a flavor house."

Stevens attributes the success of Sunkist to the total package that has been designed to bring the product to market. "The success of the brand depends on so many things working together — the heritage of the Sunkist name, the Beach Boys, the selection of bottlers, our own bottling operation, the quality of the product itself," he told *Decisions*.

Creative for the campaign, which now seems so naturally associated with the brand, just didn't fall into the company's lap as a gift from the gods. "Our agency, Foote, Cone and Belding, Chicago, came up with about 600 possible campaign ideas. That number was studied and winnowed down to about 60 ideas. These were tested on consumers at shopping centers and other consumer locations. And out of that, the 'Good Vibes' execution proved to be the winner. It won on the basis of recall and effect on sales," Stevens said.

Selecting media for the campaign proved to be less problematic. It is a classic example of using local opportunities to the best advantage while avoiding the astronomical costs of a national broadcast campaign. Sunkist, with FCB, focused on spot television and spot radio, paying only for those markets where it has distribution.

A key factor in sticking with broadcast, Stevens said, is the musical theme, the Beach Boys hit "*Good Vibrations*": "The music is very important. That's the main reason why we have stayed out of print."

The use of spot tv is usually associated with a roll-out mode; this is one reason that Sunkist used it so extensively in its introduction. But there are other factors. Spot tv also allows Sunkist to tailor media schedules and weight to the needs of the individual bottler and market and get the maximum reach for its dollars by going in on a 50/50 co-op basis with bottlers.

Sunkist takes the caffeine out

Being typically one jump ahead of the market and the times, Sunkist decided late last year to remove the caffeine from its soda. The furor over caffeine broke in March when Seven-Up announced a new advertising campaign in which it would make the absence of caffeine in Seven-Up a major consumer product benefit.

Simultaneously, Royal Crown announced a new caffeine free cola to supplement its dietetic caffeine-free RC 100. And two weeks later, Seven-Up got into the act again with the introduction of a new caffeine-free cola under the brand name, Like.

While caffeine has not been proven a health hazard, some beverage consumers would prefer to avoid it because of its effects on the nervous system and general mood. Most soft drinks, including Coke and Pepsi, and even the lemon/lime flavored Mountain Dew and Mello Yello include caffeine.

Sunkist president Mark Stevens explained why Sunkist decided to remove the caffeine from its product: "In our experience, caffeine was a moderately controversial issue as a food flavoring ingredient. To this day it is still more of a controversy although it has been used as a food additive for over 4,000 years.

"But in 1980, we found a substitute formula. Out west, we simply omitted the caffeine, but we were never satisfied with the performance of the product and consumer acceptance without the caffeine. We set about finding natural flavor ingredients that did the same job as the caffeine did. In 1980, we found that formula."

Some network television has worked its way into Sunkist's 1982 schedule, but this year the company remains primarily a spot advertiser.

Stevens explains that the company wants its introductory phase to be complete before it ponders any kind of commitment to network television.

But while the company did eschew consumer print, that medium wasn't overlooked for promotion to the trade. Sunkist used an unusually heavy schedule of four-color print ads in the beverage industry trade magazines. The copy in these ads consistently underscored the remarkable growth of the brand in three years. And the ads pressed home a point that Sunkist has an 80% repeat purchase rate, one of the most remarkable of any beverage.

Larry Vodak, account supervisor at FCB said, "We relied heavily on the trade publications in comparison with the rest of the soft drink industry."

The future for the brand looks exceptionally bright. John Stacy's *Beverage World* analysis makes most of the major points:

"We believe that Sunkist has set a new course and given the industry a more comprehensive paradigm for brand development. And not just for fruit flavors . . . but any flavor. It tilts the balance in favor of the dedicated (one flavor) brands' as well as accelerated, full scale brand development.

"This means a megabuck investment . . . and mostly investment spending up front. It means a clear precise definition of market. In essence, 'rifle shot marketing.'

"Finally, it means a very strong continuous focus on the marketing fundamentals of soft drink marketing: the bottler and local market effort as well as an approach to reach the total market; retail, fountain and vending. Certainly, there are other brands that also can be used as a case history for successful brand development, but none have demonstrated the accelerated and fine-tuned approach compressed into a few years of time frame as Sunkist did." *Fred Gardner*

Stouffer's 300-calorie coup

Stouffer's introduced Lean Cuisine last February, and captured ten percent of the frozen entree market before either the product or its advertising went national. The single serving, 300 calorie entree is now available nationally in ten varieties, with four more due this month. Aimed at a broad, dual audience, Lean Cuisine's success is built on Stouffer's reputation for quality and savvy introduction of the right product at the right time.

Diane W., an attractive, 32-year-old middle management executive in New York City, has a weight problem.

To control her problem, she watches what she eats, and is constantly on the lookout for new ways to blend good eating habits with her hectic schedule.

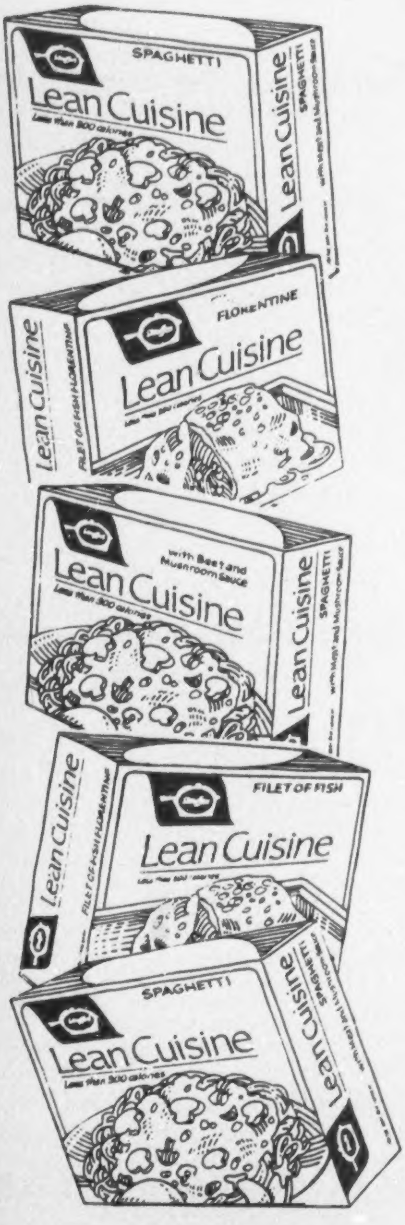
"One night right around Christmas last year, I noticed packages of Lean Cuisine next to other Stouffer's products at the grocery store," she recalls. "I picked up the package, saw the under-300-calorie claim, and thought, 'This is for me.'"

Diane W. has become a loyal repeat purchaser of Stouffer's new runaway success in the frozen food entree category, and her reasons for buying Lean Cuisine typify the elements of the new product's success.

These include the ruboff of the quality image Stouffer's maintains for all its products; convenience for health-conscious, light eaters and dieters, a rapidly-growing market segment; and packaging that stands out among other products in the frozen food section.

Lean Cuisine seems to be the right product at the right time. The product's rollout in February 1981 was supported with $1.5 million in spot television, newspapers and magazines, and a direct mail drop corresponding to the television schedules.

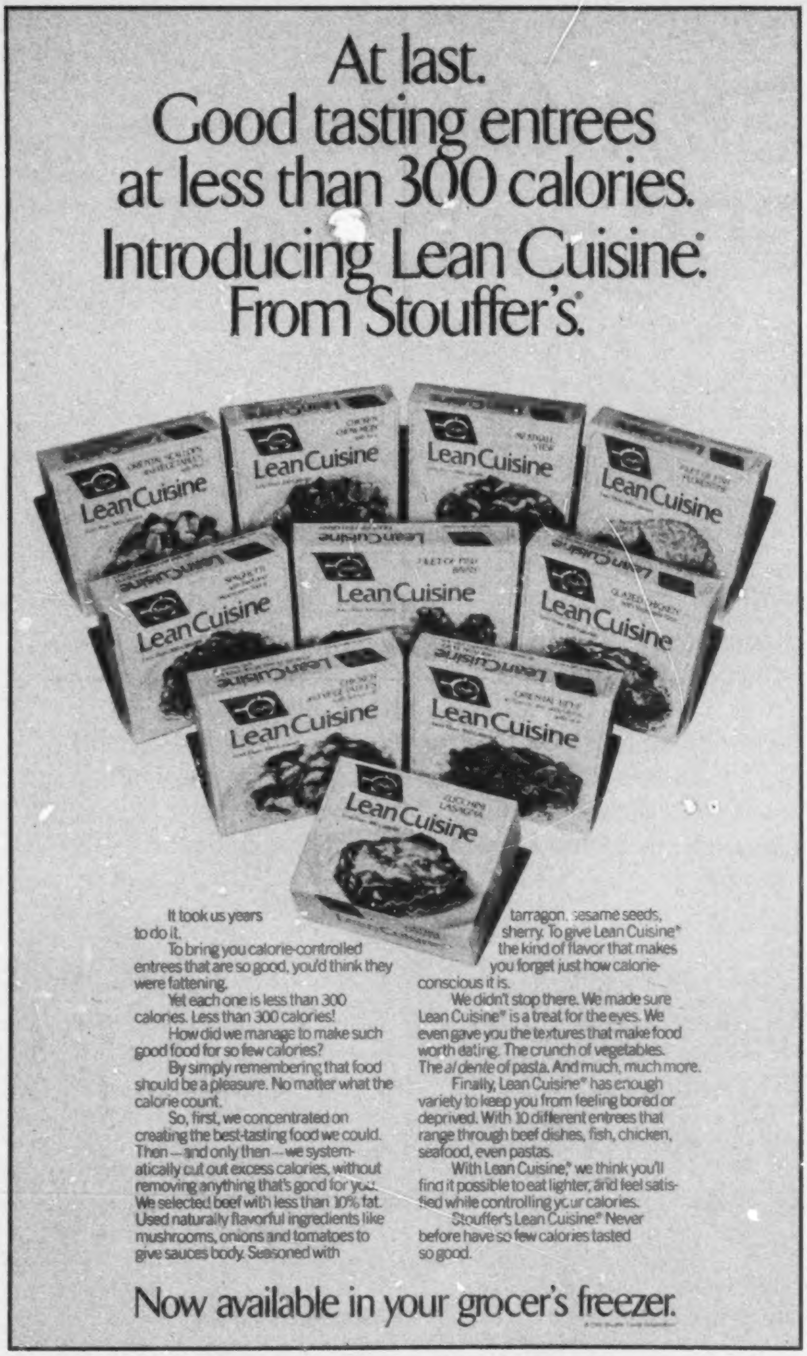
The single-item entrees are under 300 calories and appeal to anyone dieting or looking for a low fat, low cholesterol diet food, and have appeared at a time when many Americans have been hit with fitness fever. There are special magazines devoted to taking care of one's body and health, and health spas and fat farms have become big business. Uppermost for a large segment of the population — whatever the age or sex — is feeling as fit as possible. People are jogging — with or without Sony Walkmen. At cocktail parties conversations center on weight loss and exercise. A well-conceived, low calorie product is



LEAN CUISINE

Barbara Krouse
vp-product development

Creamer



At last.
Good tasting entrees
at less than 300 calories.
Introducing Lean Cuisine®
From Stouffer's®

It took us years to do it.

To bring you calorie-controlled entrees that are so good, you'd think they were fattening.

Yet each one is less than 300 calories. Less than 300 calories!

How did we manage to make such good food for so few calories?

By simply remembering that food should be a pleasure. No matter what the calorie count.

So, first, we concentrated on creating the best-tasting food we could. Then — and only then — we systematically cut out excess calories, without removing anything that's good for you. We selected beef with less than 10% fat. Used naturally flavorful ingredients like mushrooms, onions and tomatoes to give sauces body. Seasoned with tarragon, sesame seeds, sherry. To give Lean Cuisine® the kind of flavor that makes you forget just how calorie-conscious it is.

We didn't stop there. We made sure Lean Cuisine® is a treat for the eyes. We even gave you the textures that make food worth eating. The crunch of vegetables. The *al dente* of pasta. And much, much more.

Finally, Lean Cuisine® has enough variety to keep you from feeling bored or deprived. With 10 different entrees that range through beef dishes, fish, chicken, seafood, even pastas.

With Lean Cuisine,® we think you'll find it possible to eat lighter, and feel satisfied while controlling your calories.

Stouffer's Lean Cuisine® Never before have so few calories tasted so good.

Now available in your grocer's freezer.

Announcement ad in newspapers stresses "300 calories or less."

likely to get good word-of-mouth advertising support.

But no matter how much exercise, for every pound a dieter wants to lose, 3,500 calories must be eliminated from the diet. A six-ounce steak dinner with before-dinner drink, vegetable, potato, salad, pie and coffee totals about 1,466 calories, not to mention breakfast and lunch. Lean Cuisine can cut dinner calories by over 1,000.

Considering the company's history in frozen food package goods, Stouffer's success with Lean Cuisine is not surprising. Stouffer's entry into frozen food was somewhat backwards — through the kitchen door. In the mid-1940s, the company opened its 15th restaurant, in the affluent Cleveland suburb of Shaker Heights. Regular customers began asking if their favorite dishes could be packaged to take home, and as demand grew, Stouffer's began experimenting with freezing popular menu items.

After perfecting freezing techniques, a frozen food outlet was opened adjacent to the Shaker Heights restaurant. In 1954, the new frozen foods division was operating in a new plant in Cleveland. Stouffer's eschewed the established lines of frozen foods and introduced prepared entrees, vegetable and potato side dishes, soups and desserts.

By 1956 distribution of the line was national. The line was most popular in upper-income areas, but by 1963 Stouffer's was determined to extend the line's consumer franchise to other income areas as well. A series of trade ads guaranteed a ratio to retailers of $15 profit on sales of $51 — to indicate that these high ticket items would justify their space in frozen foods cabinets.

After winning over the retailers, Stouffer's began what was at the time the largest advertising campaign in the frozen food industry. The campaign reached an estimated 23 million homes with media buys in national magazines, Sunday newspaper supplements, outdoor and broadcast.

Traveling "Lean Team"

Part of the initial promotion work done by Stouffer's to introduce Lean Cuisine was to put together a team of two women, a nutritionist and an athlete, to travel to test markets and appear on local media.

The "Lean Team" consisted of Gayle Barron, winner of the women's division of the 1978 Boston Marathon and Susan Rapoport, staff nutritionist for the Cleveland Clinic. They appeared on radio and tv talk shows, and met with magazine and newspaper editors to discuss the new Stouffer's line.

This was a new concept for Stouffer's. Milt Miles, manager of new ventures, explains, "it was the first time we used a heavy public relations push."

The team also authored a 24-page booklet "On The Way to Being Lean" which is available free to consumers. The booklet includes a 14-day diet plan for both men and women, with suggestions for 1,600- and 1,200-calorie daily schedules. The meals, besides being low in calories, are well-balanced nutritionally and always include a Lean Cuisine entree. The promise is that, if the 14-day diet plan is followed, women will lose two pounds a week and men four — encouraging news in early spring when many have the pre-bathing suit blues.

Stouffer's felt the public relations work done by the "Lean Team" was successful enough to be expanded. Consequently, two more teams are now touring the U.S. each covering a different part of the country. The new teams are set up with a nutritionist and athlete as well. Appearances are scheduled ahead of major media thrusts whenever possible.

Confessions of a Lean Cuisiner

How successful has Lean Cuisine's launch been? Perhaps the best gauge in answering the question is customer response. Our interview with Diana W. sheds further light on the success story.

"Even though I have a lot of client lunches I want to eat something at night but nothing heavy. I'm tired when I get home and I'm not interested in cooking or cleaning up afterwards. I live alone and I don't want the fuss. Since I don't eat meat, the zucchini lasagna was one of the Lean Cuisine products that appealed to me. Now it's my favorite. I've got about ten packages in the freezer in case I change plans and don't go out or whatever."

Diana hadn't seen any ads for Lean Cuisine. "I'd have expected to see advertising in health conscious magazines." But she had seen the Stouffer ad featuring a woman executive, tired after working all day, going home to pop a Stouffer's entree in the oven — "I guess that had some rub off," she says. "The woman in the ad was attractive, and her situation is one I know and believe.

"Lean Cuisine works out well for me. I'll diet all my life, in fact, it is a way of life now. I've lost 14 pounds over the last year or so. I've even got my boyfriend eating it — he doesn't watch his weight but it's easy for him. When his daughter's visiting sometimes they have it for dinner."

Stouffer's has always been committed to marketing superior products and has emphasized products unique to the marketplace. Its red-coral packages

Barbara Krouse is keeper of the seal

The first female vice president of Stouffer's, Barbara Krouse, was one of the major forces behind the development of Lean Cuisine. As vp of product development and quality assurance, Barbara Krouse was responsible for creating the under-300 calorie single entree dinner.

"I've lived with the product from the time the concept was developed, which seems like 20 years ago," she says with a laugh. "That's the rough and dirty time *(What do you think? can we sell it?)*. Then there was the actual presentation of the final product to the marketing management."

"We had found a market opportunity out there. If the average female watching her weight is on a 1,200-a-day-calorie diet, what products should we be marketing? That's how we came up with the 300 calorie hook."

"But we wanted a calorie *controlled* product as opposed to a low-calorie product like Tab. We intended that Lean Cuisine be part of a normal diet because then it would fit into more situations that aren't specialized.

"We didn't want people to feel that they were sitting at the back of the bus just because they were dieting. So this product line had to fit into a normal meal scheme.

"With a 300-calorie limit, the formulating of the product was done entirely differently than our red box line. To hold down calories, we grind our own meat to control fat content, and that's why you see the heavy use of vegetables. We accomplished a more delicate blend of flavors and we used more herbs.

When asked whose idea Lean Cuisine was, Krouse answered this way: "Ideas evolve. The product development group sits down and goes through brainstorming sessions. We've got 15 people in our group, men and women, and through interaction that can generate a lot of ideas.

"We reformulate the products as time goes by to make sure quality is maintained. And we use panels — lots of panels — in-house and consumer. But before we use a consumer panel, we have to feel very comfortable with a product. Lean Cuisine was a hit from the start."

Krouse, like many employees at Stouffer's, has been with the company a long time — since she finished college — and she likes what she does there.

"The thing that's fun about my job," she says, "is that it's constantly changing. I could cut myself into 20 pieces and everybody would still want to see one of those 20 pieces."

Executive team: C. Alan MacDonald, president; Robert L. McGuigan, senior vp; Gerald DeCroce, vp-marketing;

were designed to separate the line from other manufacturers' more conservative packages.

But when Stouffer's brought out Lean Cusine they departed for the first time in many years from that traditional red-coral packaging. This was a risky decision. Would they lose the immediate identity and quality associated with the Stouffer name?

Alan MacDonald, president of the food division commented that the company "wanted Lean Cuisine to be seen as an attitudinal product." Bill Sprague, executive vp at Creamer, agency for Stouffer's, went on to say, "The white package would reflect the attitude the potential consumer would

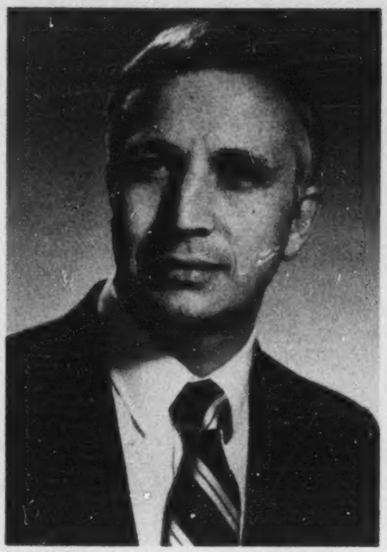
A Condé Nast Package Magazine Copyright 1982 by The Condé Nast Publications, Inc. Source: SMRB 1981

THAT'S GLAMOUR.

She has it. Most every woman wants it. Glamour is a lifestyle that's many-faceted and constantly improving. Glamour is a mindstyle that's emerging and seeks to know. Glamour is the "how-to" magazine for six million readers who've put the fluff of life behind and are stepping into a larger role.

Glamour gives them fashion and beauty information that's rich and stirs the readers' senses, but it is serious and dependable information too. The results: Of all the women's magazines, Glamour is one of the most efficient to reach women in a dozen demographic categories, near and dear to your marketing plans.

To reach these six million readers who are motivated, monied and seeking, find them every month in Glamour.



Milt Miles, manager, new ventures.

Stouffer's frozen foods budgets — 1981

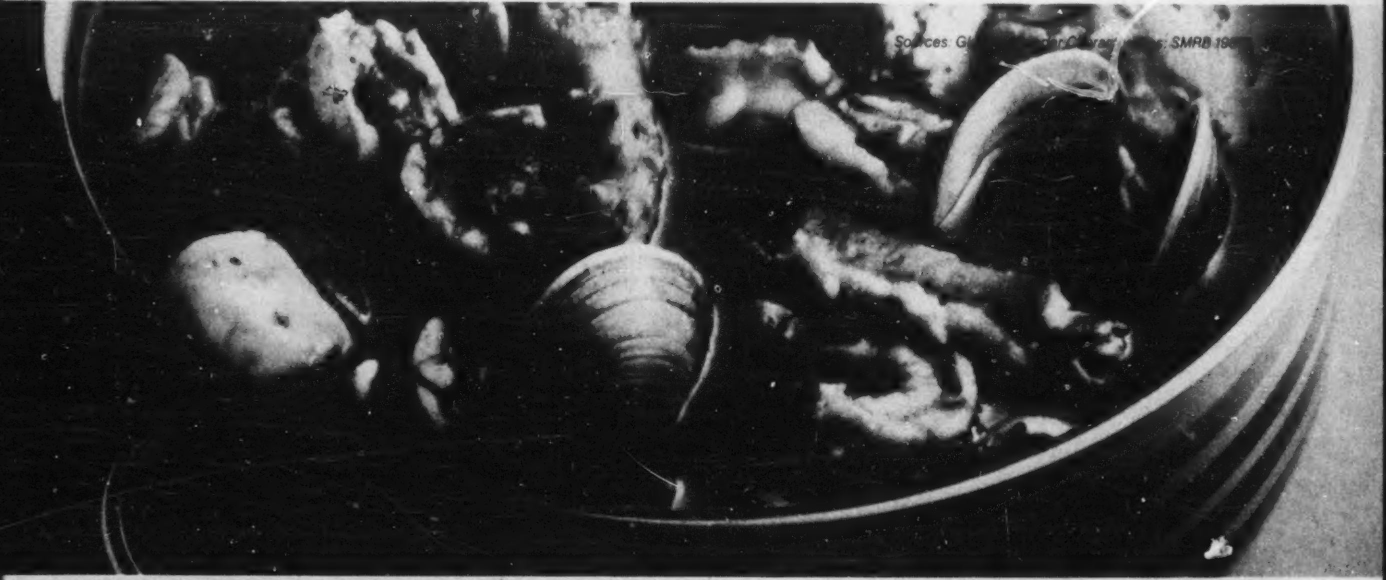
	Magazines	Network tv	Spot tv	Total
Frozen Crepes	[illegible]	—	$1,324,000	[illegible]
[illegible]	[illegible]	[illegible]	864,000	[illegible]
[illegible]	—	[illegible]	[illegible]	[illegible]
Lean Cuisine	234,000	—	1,293,000	1,527,000
Pizza	—	[illegible]	[illegible]	[illegible]
Side Dishes	217,000	—	1,790,000	2,007,000
Total	$2,355,000	$7,585,000	$5,999,000	$15,939,000

Source: LNA/BAR; does not include co-op.

have — one of eating lighter, less-filling foods.'' The package was designed by Landor Associates, San Francisco, which explored not only the white color but others as well. Stouffer's had never used Landor before.

The Lean Cuisine name, every bit as important as the package design, was one of five choices Creamer presented to Stouffer's.

Although Lean Cuisine is less than 300 calories per entree the product is not seen by either the agency or Stouffer's as one that is narrowly skewed. Alan MacDonald explained the positioning: ''The brand's position is much the same as our regular entree line. We wanted the best possible



Sources: Gl[illegible] SMRB 198[illegible]

THAT'S GLAMOUR.

Glamour, the magazine she turns to for fashionstyle is the same one she seeks to help fashion her lifestyle. Nearly 2/3 of our editorial is not fashion and beauty but everything else in her fast-changing life.

Take food. Today, younger women do more food shopping than women over 40. A whopping 80% of Glamour's readers are in this age category–more than any of the other women's magazines. What's more, when these younger women work (over 80% of our primary readers do) they spend more for food weekly than their non-working counterparts. Glamour edits directly to the busy women's needs with time-saving recipes and entertaining tips.

From food to cars to stereo to anything that makes life fuller for six million readers–That's Glamour.

product in the category. We went after the idea that this food should be as good as 'regular' food.''

''We don't believe there is a limited target for this. Dieting is not quite the answer — that concept is too limiting. There isn't just one description of a dieter. You can chase all demographies with this,'' Sprague reflected.

Magazine selection underscores Sprague's statement. A scattered schedule over the year included: *Better Homes and Gardens, Good Housekeeping, Reader's Digest* and *Redbook*. Jerry DeCroce, vp-marketing at Stouffer's amplified further. ''We target to women, but Lean Cuisine also appeals to anyone interested in lighter eating. It's really not so much a target audience based on demographics as it is based on attitude.''

Television was bought in all day parts with the restrictions that anything distasteful to the advertiser not be included in the schedule. Sprague found that media ''migrated to news and upscale educational programing. We stayed away from violence whenever possible.''

''There were two commercials at the introductory level. One illustrated the many varieties of product available, while the second featured a woman spokesperson explaining the product.

''Then we made 'Mirrors;' a pure motivation commercial. The reward for being disciplined enough to eat only 300 calories per meal is that you look better. Here you deal with the psyche. We had some trouble over this commercial. There's a very thin line between concern over appearance and narcissism. We had to be very careful with the execution. There must be ten miles of film on the cutting room floor.''

ICE CREAM
FROZEN JUICES
Stouffer's
NEW!
Lean Cuisine

Display cabinet in frozen food sections repeated low calorie theme.

Direct mail pieces were dropped at the same time as the television spots were scheduled. Newspapers were in the schedule, running rop. The frequency objective was to reach 90% of the target audience four times. Bill Spague predicts no changes in the media schedule even with the product now in national roll-out.

Will cable tv be on the media schedule in the near future? ''We're not going to experiment with cable when we already have such a successful product/media mix,'' Sprague replied.

The ten-product line is being expanded to include four more varieties. The introduction of the new varieties is scheduled for testing in Ohio, Pittsburgh, Denver and Omaha.

The competition

Weight Watchers International, manufacturers of low calorie frozen foods insists that Lean Cuisine ''hasn't taken away even a case from us!''

Gerald Herrick, president of Foodways National, now a division of H. J. Heinz, almost seems pleased that Lean Cuisine has entered the marketplace. ''According to the March SAMI figures, the frozen entree market shows a 13% increase in volume. There's the possibility that Stouffer's is canabalizing their other lines. But as for us — since we reformulated our Weight Watchers line this fall — we are up.''

Herrick is also sure that the market for calorie controlled frozen entrees has not peaked as yet. ''Obviously I'm in hopes that it doesn't for quite a while. And with 67% (according to our research) of the women in this country either dieting or watching their weight — that adds up to continued growth in this field.''

Weight Watcher's has a broad based target much the same as Lean Cuisine. However, Weight Watcher's schedules a larger variety of magazines than does Lean Cuisine. They run in family shelter books — *Woman's Day* and *Family Circle*; broad based books — *Reader's Digest* and *Tv Guide*; fashion magazines — *Glamour* and *Mademoiselle*, plus narrow targeted books like *Self*.

With the reformulated Weight Watcher's came a reformulated ad

PLAY IN PEORIA...
AND YOU'LL PLAY
ANYWHERE!

National Representatives:
Cresmer, Woodward, O'Mara & Ormsbee, Inc.

Peoria is an important isolated test market with demographics that are a cross-section of America. We're a Nielsen Data Market. There's ADI, DMA, SMSA and EBI too.

Play in Peoria now for product success later.

Peoria Journal Star
1 News Plaza. Peoria. IL. 61643 309 686-3035

SFX: MUSIC
WOMAN SINGER: "I love the way it looks on me
Stouffer's Lean Cuisine
Less than
300 calories.
Stouffer's Lean Cuisine.
I love the taste
I love what I see
I love being all that I can be
I love the way it looks
on me
And so does he."
VO: "Stouffer's Lean Cuisine. You'll love the way it looks on you."
WOMAN SINGER: "I love the way it looks on me." (MUSIC FADES OUT)

30-second tv commercial was third in series that carried $1.3 million into spot tv in 1981.

campaign complete with jingle (written by the same creative who wrote McDonald's).

Herrick explains their broadcast schedule: "We are in net tv — fringe time to pick up the women viewers."

Herrick sees a difference in the consumer eating Weight Watchers and the one buying Lean Cuisine.

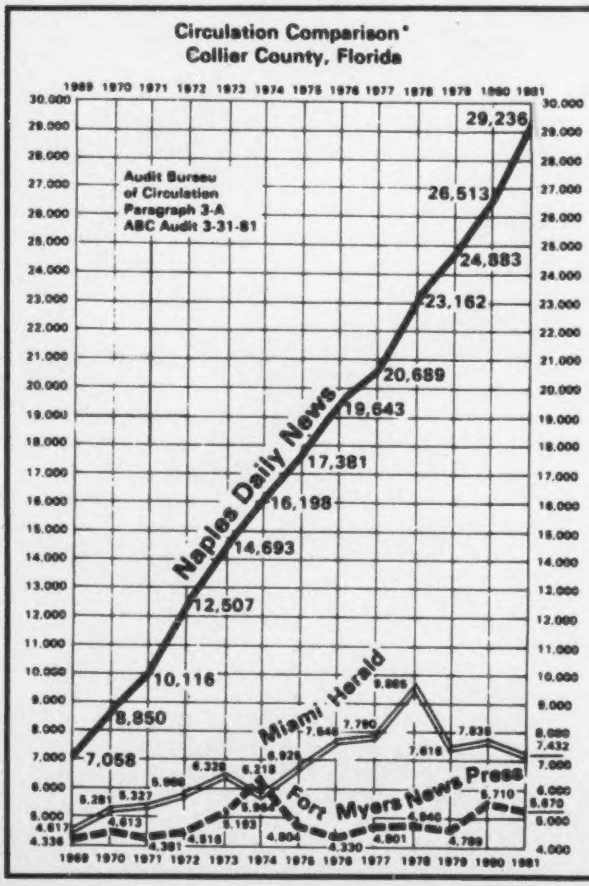
"What do you think of when you hear the name Stouffer's? You naturally think of quality food — they're recognized for good taste. When you hear the name Weight Watcher's what do you think of? I think we get the more serious dieters."

Weight Watcher's line has 26 different products with an average "facing" at the supermarket of 12.

This Spring they added a Southern Fried Chicken. Testing on the product took two years. The roll-out has begun in the Northeast.

In February five additional products were added to their boil-in bag line. Traditional test media — broadcast and print — is being used.

Kitty Dawson


Circulation Comparison*
Collier County, Florida

How Naples Stacks Up In The Big Florida Market

Retail Sales Per Household

Total Retail Sales	General Merchandise	Food	Auto	Furniture/ Appliances
Naples $16,330	Naples $1,808	Naples $3,605	Ft. Laud. $3,242	Naples $1,082
Ft. Laud. $14,217	Miami $1,757	Ft. Myers $3,388	Naples $3,179	Miami $889
Ft. Myers $13,367	Orlando $1,706	Orlando $3,288	Jax. $2,693	Ft. Myers $878
Orlando $13,154	Ft. Laud. $1,704	W.P. Beach $3,095	Orlando $2,500	Ft. Laud. $709
Miami $12,827	W.P. Beach $1,642	Tampa/S.P. $3,075	W.P. Beach $2,425	W.P. Beach $683
W.P. Beach $12,741	Ft. Myers $1,610	Ft. Laud. $3,028	Ft. Myers $2,352	Orlando $485

Sources: University of Florida
1981 Survey of Buying Power, Sales and Marketing Management

H.A. (Rocky) Strunk, National Adv. Mgr.

(813) 263-4730

Naples Daily News

1075 Central Ave. Naples, Fl 33940

15 TOP MARKETING SUCCESSES • 1981

TYLENOL®

How Tylenol outslugs a fierce field

Consumer Products Division of Johnson & Johnson (McNeil) puts emphasis on how its product, Tylenol, differs from other pain relievers containing aspirin. It seeks and gets separate shelf positioning in supermarkets. And in advertising, it repeats and repeats the fact that it contains no aspirin. It puts over $24 million into tv plus some $2.5 million in consumer magazines.

TYLENOL

Joseph Chiesa, president
McNeil Consumer Products

Compton

A media planner on a competing aspirin product was commenting recently on the trials of going head-to-head against the giant of the non-aspirin pain relievers, Tylenol.

With a touch of reverence in his voice, the media planner said: "You walk into a supermarket and go to the shelves with the over-the-counter pharmaceuticals and you come across what appears to be a million brands. Each brand claims to alleviate the same pain faster than the product next to it, which is made from virtually the same chemical substance as the first one.

"On top of this crowd of products, you've got to add the no-name brands that are gaining an increasing foothold, especially in the supermarket chains.

"In that kind of cluttered, competitive field, Tylenol has somehow managed to establish itself as the generic term for a non-aspirin pain reliever.

"When people want to take an aspirin, they ask for aspirin. When people want a non-aspirin remedy, they ask for Tylenol. They perceive that Tylenol and non-aspirin are interchangeable terms."

Since its mass market distribution in 1975, the McNeil Consumer Products division of Johnson & Johnson has seen its Tylenol brand line grow to a position of dominance in the headache and pain remedy product category. By 1980, Tylenol held a 31% market share among all over-the-counter pain remedies. American Home Products' Anacin aspirin compound is second in market share with 12%, and Sterling Drugs Bayer aspirin is next with 8.5 percent. Yet, in 1980, according to Leading National Advertisers, Broadcast Advertising Reports and Media Records, the Anacin brand line was backed with a $40 million advertising campaign, compared to about $21 million for Tylenol.

The ratio of ad dollars to market share is even more significant considering a Federal Trade Commission

REGULAR STRENGTH
TYLENOL
acetaminophen CAPSULES
safe fast pain relief, without aspirin
0045-0483-42

Stand-out package for Regular Strength Tylenol separates it from crowd of other pain relievers on super-market shelves via red label, bold lettering.

study of media spending as a percentage of sales. The FTC report, which covers 1975, revealed that pharmaceutical companies as a whole spend over 20% of sales dollars on media, compared to less than 3% on research and development. No other industrial category came close to those percentages.

Because of its dominant position in a field as fierce and fickle as pharmaceuticals, Tylenol was selected by *Decisions* readers as the category's marketing success story for 1981 and, perhaps, for every year since 1975.

While the people at McNeil Consumer Products were pleased to be so honored, they declined to participate in the assembling of this article.

Commented McNeil Consumer Products president Joseph Chiesa to one of our inquiries, "We're honored that your readers have selected us as the marketing success story of the year. However, we have considered very carefully what our position should be regarding the press and, quite frankly, we've decided that whatever we might gain by talking to you, we might also lose. Therefore, we maintain a strict policy not to talk to reporters about anything."

While Chiesa confirmed the accuracy of the major finding in this article, he refused to expand upon any issue and, when the questioning turned to specific personnel at McNeil, he abruptly ended the interview.

McNeil Consumer Products is not alone among pharmaceutical manufacturers in its skittishness with the press. There is a general feeling among proprietaries companies that any tidbit of information, no matter how innocuous it may seem, could help competitors gain a slight competitive edge. In this business, knowledge is power, and power translates into a competitive edge in the marketplace. Every marketing move is swiftly countered by the competition, and any edge is exploited even faster.

It was just such a move-counter move chain reaction that led to Tylenol's mass market roll out in 1975. The non-aspirin pain remedies are an outgrowth of acetaminophen, a generic compound that for years had been manufactured and sold by several pharmaceutical concerns. The drug, however, was marketed exclusively to the medical profession and never had a particular brand name identity until the early 1970s.

"It was at that time," says Richard Stover, vp-equity research department for pharmaceuticals at E. F. Hutton Co., "McNeil began marketing the compound under the Tylenol brand name to physicians, pharmacists, nurses, and other professional people who might recommend the drug to their patients. They built a strong brand awareness base among the professionals and they were complacent to continue that way until Bristol-Myers decided to come out with Datril."

Seeing the success McNeil was having promoting to professionals Tylenol benefits such as no stomach upset side effects, Bristol-Myers in 1975 introduced Datril, also a non-aspirin pain remedy. Datril was distributed broadly to the consumer market at a lower price than Tylenol. The result was an immediate gain in market share. The lead, however, for Bristol-Myers' Datril was short-lived.

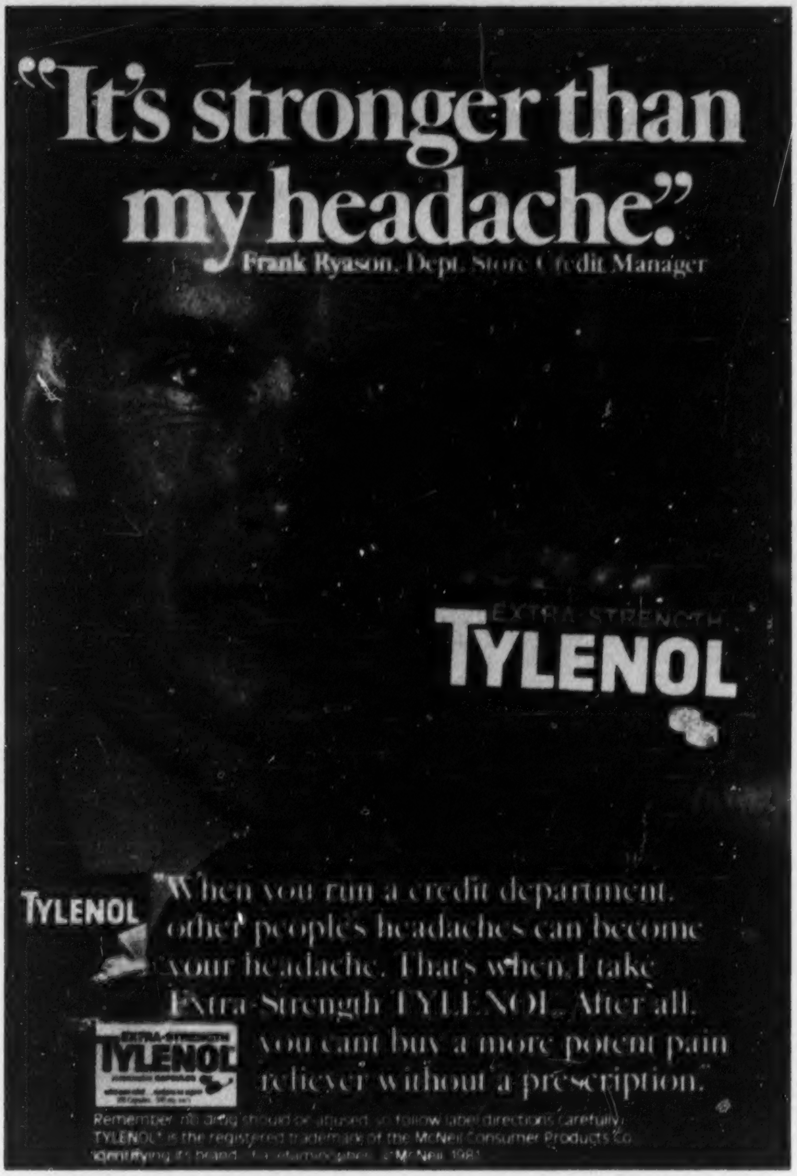
"Bristol-Myer's entire strategy backfired," says Stover.

As if awakening a sleeping bear, Bristol-Myers saw their Johnson & Johnson competitor shift into action. Tylenol was quickly introduced to the mass market. It was distributed at least as broadly as Datril, and at an even lower price. Tylenol was also backed by its own massive introductory advertising and promotional campaign.

"Even more than its own advertising, what benefitted Tylenol the most," says Stover, "was Bristol-Myers' campaign for Datril. They did comparison ads pitting Datril against Tylenol. What the ads did was help Tylenol establish brand awareness with consumers. Every time a consumer saw the name Datril, she saw the name Tylenol, too."

Tylenol's success continued unabated over the next seven years. The product has so overwhelmed its non-aspirin competitors and has been able to exploit growing health concerns about both aspirin and caffeine, that Stover describes Tylenol as "the dominant force in analgesic market share."

"Tylenol's market share should


"It's stronger than my headache."

Frank Ryason, Dept. Store Credit Manager

EXTRA-STRENGTH TYLENOL

"When you run a credit department, other people's headaches can become your headache. That's when I take Extra-Strength TYLENOL. After all, you can't buy a more potent pain reliever without a prescription."

Remember, no drug should be abused, so follow label directions carefully. TYLENOL® is the registered trademark of the McNeil Consumer Products Co. identifying its brand of acetaminophen. © McNeil 1981

Real-life people are featured in Tylenol ads, like this one carrying testimonial of department store credit manager Frank Ryason.

continue to grow in the next few years," he says. "Aspirin products will remain the major piece of the market, but there are many more competitors for the aspirin share of it. Tylenol simply dominates the non-aspirin category, and that category should continue to expand at the expense of the aspirin compounds. This will occur, in part, because many aspirin users are arthritis sufferers, and arthritis is more and more being treated with prescription drugs instead of aspirin."

If Tylenol's ad expenditures for the first nine months of 1981 are any indication, McNeil does not intend to allow the product to rest on its past performance. According to LNA/BAR, spending by Tylenol in the measured media during the first three quarters of 1981 was up over $5 million, or about 20%, compared to the same period for 1980.

The boost came primarily from a new campaign to back the availability of Extra-Strength Tylenol in tablet and capsule form, as well as a doubling of the budget behind Tylenol tablets. The campaign over the past two years to promote the Extra-Strength version of Tylenol has resulted from two developments, according to McNeil's new product chief Chiesa. First, new research had improved the basic product, and second, the improvement allowed McNeil to bolster the overall Tylenol campaign.

Tylenol's target audience is difficult to define beyond the generalities of every man, woman and child who might get a headache, fever or similar minor ailment, or who suffers from arthritis. It is the woman with a family, however, who does most of the shopping for Tylenol, and therefore the product's media mix is skewed somewhat to concentrate on reaching her.

Television is by far the biggest medium in Tylenol's advertising mix. According to LNA/BAR, Tylenol spent almost $23 million in television during the first nine months of 1981, and $22 million of that went to network fare. Spot buys were listed at $838,000.

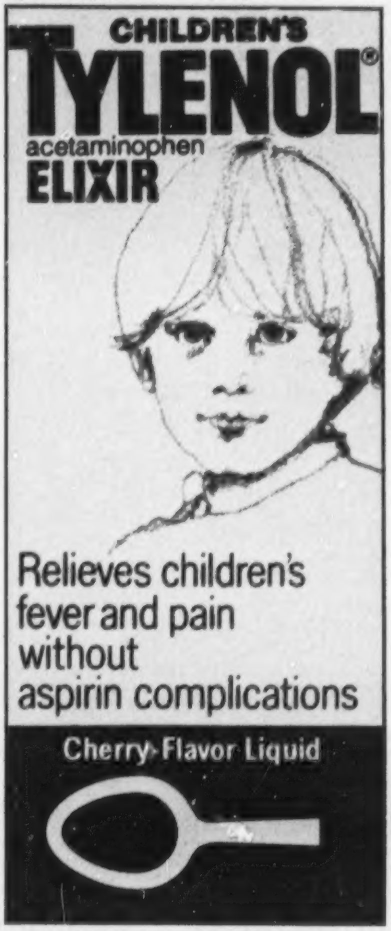
The emphasis on network television illustrates Tylenol's shotgun approach to tv buys.

"We're a nationally distributed brand," said one source close to the campaign. "Generally speaking, we don't have individual markets in which we must reach everyone. We need brand awareness more than anything else. Network television does that for us."

What target marketing exists in Tylenol's media approach is executed through magazine buys. While the advertising is concentrated primarily in women's publications, Tylenol also buys space in several special interest magazines for black audiences, older people and men.

According to Publishers Information Bureau, Tylenol Extra-Strength multi-product advertising appeared in 1981 in *Ebony, Families, Family Circle, 50 Plus, Good Housekeeping, Inside Sports, Ladies Home Journal, Reader's Digest* and *TV Guide*. Tylenol Extra-Strength tablets were advertised, according to PIB, in *Cosmopolitan, Essence, Good Housekeeping, Ms., Newsweek, People, Redbook, Time* and *Working Woman*. The Extra-Strength Tylenol in tablet and capsule form were advertised last year in *50 Plus, Good Housekeeping, Newsweek* and *Reader's Digest*, while Tylenol tablets and Extra-Strength

Children's unit is cherry-flavored liquid, packaged to resemble full-strength product. Variety adds to assemblage of Tylenol products in supers.



CHILDREN'S

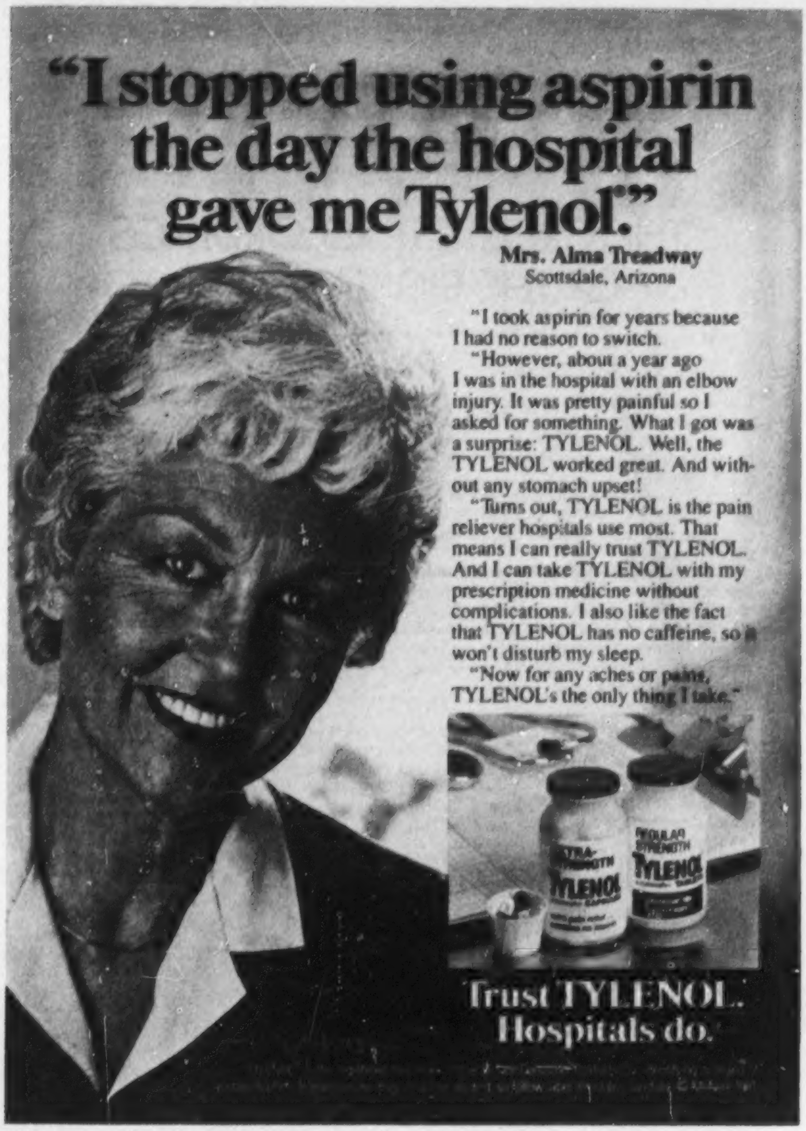
TYLENOL®

acetaminophen

ELIXIR

Relieves children's fever and pain without aspirin complications

Cherry-Flavor Liquid



"I stopped using aspirin the day the hospital gave me Tylenol®."

Mrs. Alma Treadway
Scottsdale, Arizona

"I took aspirin for years because I had no reason to switch.

"However, about a year ago I was in the hospital with an elbow injury. It was pretty painful so I asked for something. What I got was a surprise: TYLENOL. Well, the TYLENOL worked great. And without any stomach upset!

"Turns out, TYLENOL is the pain reliever hospitals use most. That means I can really trust TYLENOL. And I can take TYLENOL with my prescription medicine without complications. I also like the fact that TYLENOL has no caffeine, so it won't disturb my sleep.

"Now for any aches or pains, TYLENOL's the only thing I take."

Trust TYLENOL. Hospitals do.

Head-on pitch to users of pain relievers containing aspirin.

Tylenol capsules were featured together in *Better Homes & Gardens, 50 Plus, Prime Time* and *Reader's Digest*, according to PIB. Total magazine expenditures for Tylenol in 1981, according to PIB, were $2.8 million, compared to about $1 million in 1980.

The print campaign developed by Compton Advertising shows average men or women testifying to the benefits of the drug over aspirin.

In one magazine ad, a woman identified as Mrs. Alma Treadway declares, "I stopped using aspirin the day the hospital gave me Tylenol." The copy text goes on to explain that, while hospitalized for an elbow injury, Mrs. Treadway was given Tylenol as a pain reliever. She goes on to cite Tylenol's other benefits, such as no stomach upset, no caffeine, and compatability with her prescription drugs. The copy also refers to Tylenol as the pain reliever most recommended by hospitals, a reference to the product's original base with doctors and other medical professionals.

The media mix virtually excludes radio, outdoor and national newspaper buys. While this pattern is consistent with other pharmaceutical marketers, officials at McNeil Consumer Products and its advertising agency, Compton, refused to comment on the rationale behind the media strategy.

While the producers of Tylenol remain mum on the secrets of their success, industry observers believe it results from a steady, consistent pattern of building a marketing base and exploiting it.

Summarized E. F. Hutton's Stover: "Tylenol has progressed along a continuum. First there was the development of brand awareness through the cultivation of professional recommendation and the establishment of the product's medical integrity. It was the development of this marketing franchise which Bristol-Myers underestimated. Second, the product was promoted through a broad communication to the consumer. And finally, it was distributed broadly. That continuum has led to Tylenol's domination of the non-aspirin market."

Craig Reiss

TOBACCO

15 TOP MARKETING SUCCESSES 1981

Positioning Camel where it belongs

Camel's slogan is "Where a Man Belongs," and that's where the brand was positioned in 1981. R. J. Reynolds restaged the brand, grouping all varieties under a common theme: an independent, adventurous consumer lifestyle. Marketers at Reynolds and agency BBDO backed up the image with packaging changes in the light and filter varieties, increasingly targeted magazine buys, heavier use of newspapers and out-of-home media, and targeted promotions in the travel, sports and entertainment fields. The efforts helped skyrocket Camel sales 24% in an industry that grew only 1% last year.

CAMEL

John Shostak, marketing director

BBDO

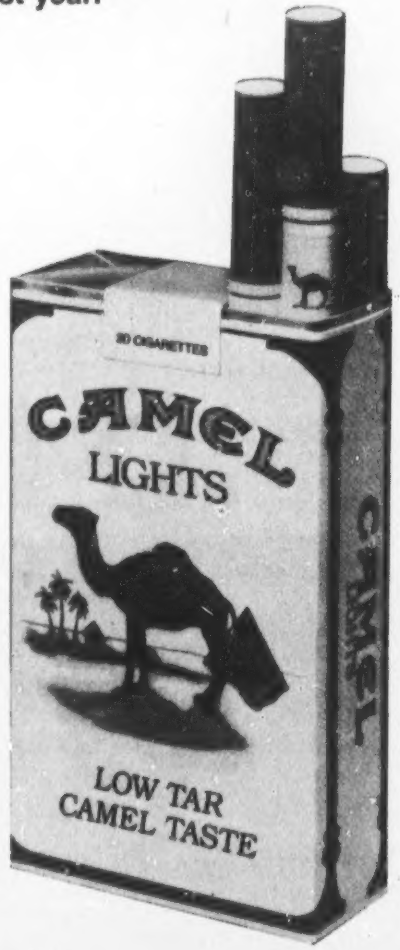
One year ago, John Shostak and Ken Angel attended a speech given by the marketing director for Marlboro cigarettes at an Association of National Advertisers seminar.

Neither had met the man from Marlboro, but after the meeting they walked to the podium and introduced themselves.

"Do you know us?" asked Angel.

When the Marlboro man replied that he did not, Angel laughed, and said, "You may not know us now, but, believe me, you will."

The prediction came true. Shostak and Angel were the main force behind the dramatic restaging of R. J. Reynolds' Camel cigarettes in 1981, at the expense of arch-competitor Marlboro. It was a year in which Camel's sales were boosted 24% in an industry with overall 1% growth, and in which the brand's ranking among the top ten cigarettes vaulted from seventh to fifth, displacing sixth- and



fifth-place Benson & Hedges and Merit.

At the time of the Marlboro encounter, Shostak was Camel's senior brand manager — this March, he was promoted to marketing director for both Camel and NOW brands. Angel is vp-account supervisor at BBDO, New York, Camel's agency.

Together, Shostak and Angel constitute a very large thorn in the side of Philip Morris, whose Marlboro, the number-one-selling cigarette in the United States, showed a lower 4% growth rate in 1981. Camel and Marlboro are now locked in a battle for the attention of smokers attracted to cigarettes with a strong male image.

Much of Camel's momentum in 1981 was due to the push behind light Camel varieties, which experienced runaway growth after packaging was changed to mirror the old-fashioned look of Camel Regulars. But Camel's growth was across the board. Even Regulars — which compete in the full-flavored cigarette category, the industry's most stagnant — showed a 22.6% increase, according to figures compiled by John C. Maxwell of Lehman Brothers Kuhn Loeb Research, New York.

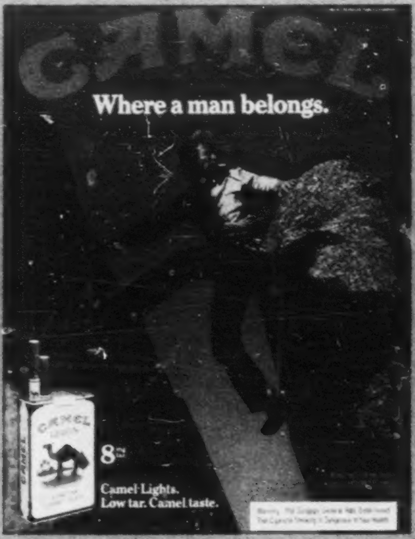
Camel's overall market share increased from 4.3% in 1980 to 4.8% in 1981, according to Maxwell. Such increases are not easily won in the cigarette business, where growth is slow and each share point is worth $130 million in factory level sales.

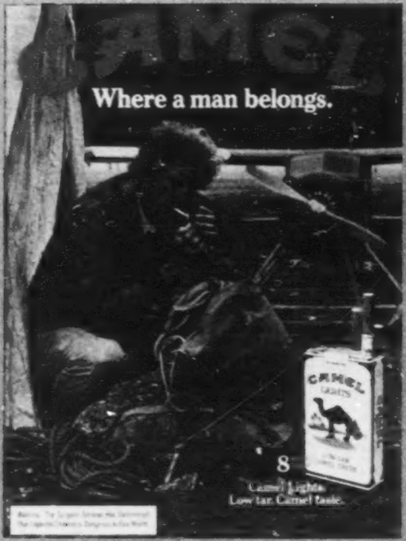
Camel's marketers attribute their success in 1981 to several factors — some unique to Camel, others a part of a shift in strategy for all R. J. Reynolds brands.

Prime among these was a switch away from segmented, target marketing of each variety within a brand, and adoption of a "family brand" strategy,

A portfolio of Camel advertising

Advertising in magazines and out-of-home media, created by BBDO, bring Camel's image to life with depictions of adventurous men in the great outdoors. Scenes depict backpacking, aviation, mountain climbing, winter camping, hiking and driving through backlands in jeeps. In 1981, the brand's media mix emphasized out-of-home and newspapers, but a broad range of male audience magazines also made the schedule.


CAMEL
Where a man belongs.
8
Camel Lights.
Low tar. Camel taste.


CAMEL
Where a man belongs.
8
Camel Lights.
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CAMEL
Where a man belongs.
Camel Lights. Low tar. Camel taste.
8

in which all varieties are promoted together. For Camel, this meant unifying packaging for light varieties with the original, old-fashioned design. By all accounts, this switch was a masterful tactical move, transferring the parent brand's masculine, macho image to the light brands.

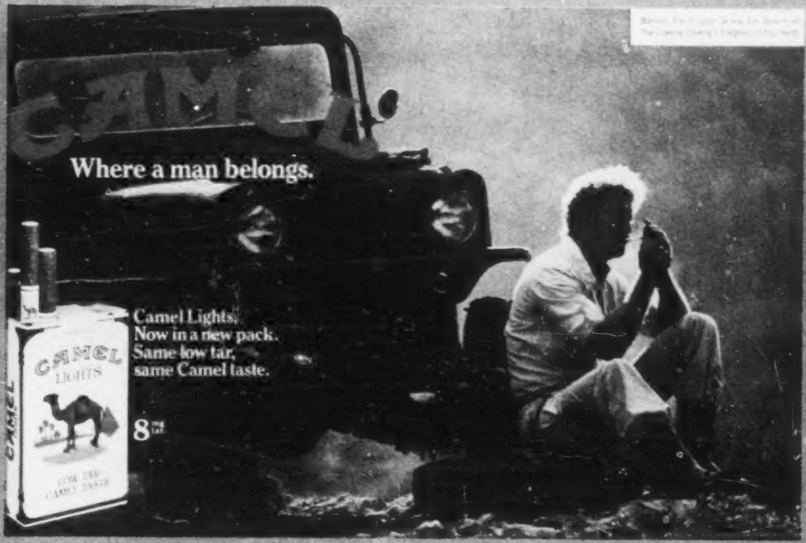
Equally important was an overall corporate shift to local market emphasis in media selection, which meant a substantial increase in use of newspapers and out-of-home media, and introduction of a variety of promotions that extend the brand's image.

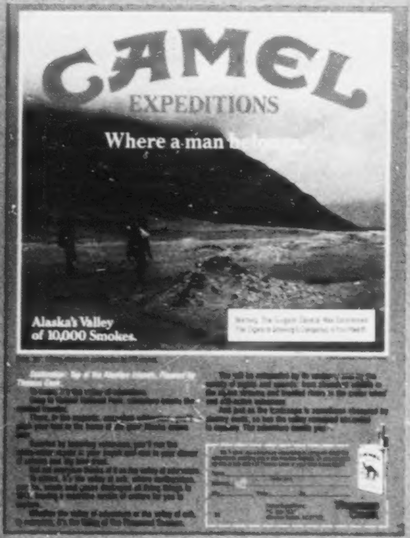
For Camel, these include the "Camel Expeditions," adventure vacations offered in conjunction with Thomas Cook Travel, and sponsorship of sports and music events. Camel is breaking new ground as sponsor of the June 11 heavyweight fight between Larry Holmes and Gerry Cooney in Las Vegas, and the brand also sponsors auto racing. "Camel Expeditions" alone were backed with $1 million in advertising in 1981.

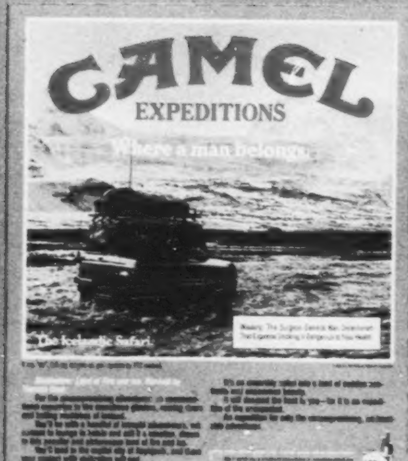
The aim of these promotions is to "add reality and dimension" to the image of the Camel smoker," said an RJR spokesman.

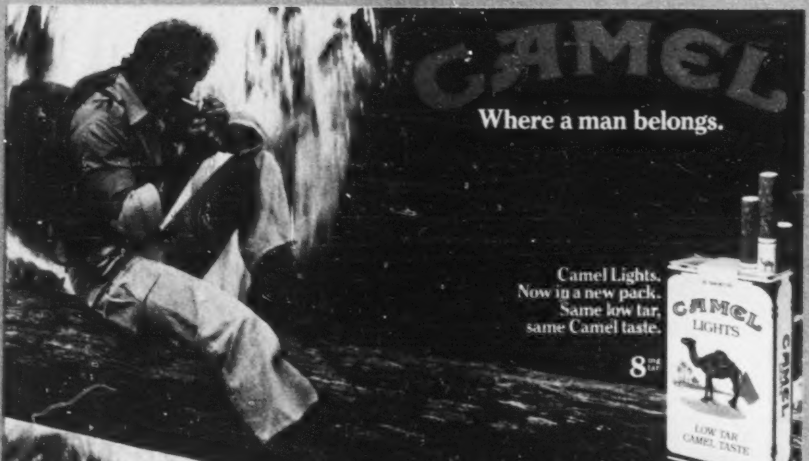
Camel's success, however, must be considered within the context of R. J. Reynolds' efforts to shake up its domestic marketing operation. Camel's performance represents partial fulfillment of a promise made in the fall of 1980 by then-fledging chairman and president Edward Horrigan, Jr. and executive vice president Gerald A. Long. The two were brought in from RJR's international marketing division in the fall of 1979 to put a stop to a two-year market share decline, and the sales inroads of Philip Morris.

While RJR was then — and still is — the number one domestic cigarette


CAMEL
Where a man belongs.
Camel Lights.
Now in a new pack.
Same low tar,
same Camel taste.
8 mg tar
CAMEL LIGHTS
LOW TAR CAMEL TASTE


CAMEL
EXPEDITIONS
Where a man belongs.
Alaska's Valley of 10,000 Smokes.


CAMEL
EXPEDITIONS
Where a man belongs.
The Icelandic Safari.
Thomas Cook

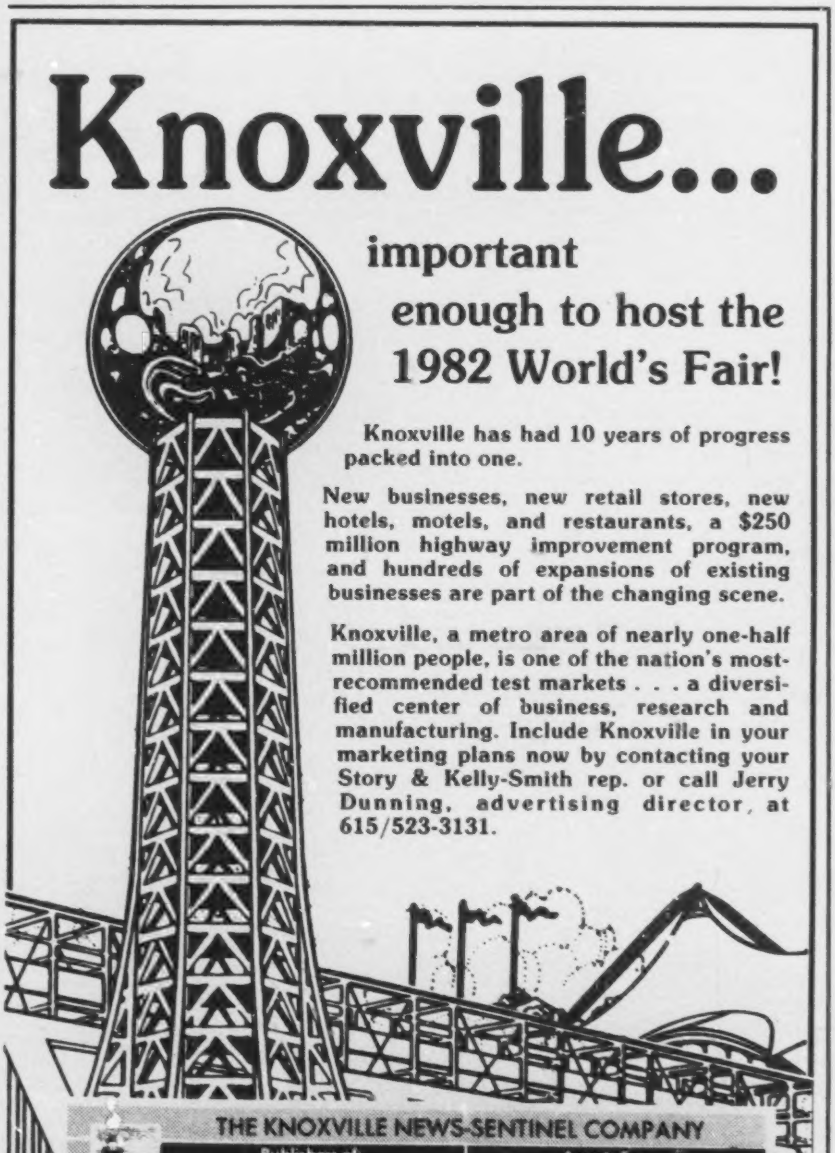

CAMEL
Where a man belongs.
Camel Lights.
Now in a new pack.
Same low tar,
same Camel taste.
8 mg tar
CAMEL LIGHTS
LOW TAR CAMEL TASTE

seller, Philip Morris has been closing the gap in recent years. In 1977, RJR commanded 33% of the market, compared to PM's 26.5%. Since then, that sizable 6.5% gap has been narrowed to 5.1% in 1978, 3.7% in 1979, 1.7% in 1980, and 1.2% in 1981, according to Maxwell data.

Long and Horrigan's effect on RJR can been seen in the year-end 1981 figures — RJR gained overall share for the first time since 1977, gaining .4% and reascending to a 33% share.

Top management's first move was the introduction of a "family brand" marketing concept. Horrigan and Long believed, based on their international experience, that all varieties of one brand could best be marketed and promoted together, rather then separately.

Previously, each style or variety within a brand was targeted to a different segment, or type, of smoker. Marketing was based on a splinter concept, to take advantage of segmentation.



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The "family brand" concept, says John Shostak, begins with the conviction that smokers are — first and foremost — brand loyal.

"Once you switch a smoker from a competitive brand to your family of brands," he says, "the more likely he is to stay within the family. Then you get the benefit of retaining him as he progresses through the various styles and flavors."

Put another way, RJR made a strategic decision: "family brand" management might cause cannibalization among varieties of a brand, but this would be preferable to switches outside the brand entirely.

Underpinning the family marketing concept is an effort to project consistency of lifestyle image and positioning of all brand varieties.

Says Ken Angel: "The way you get inroads on your competitor is by focusing on the brand family. The consumer makes a lifestyle selection, based on what we put forward about the brand's image. Once someone says, 'That's the lifestyle that is appropriate for me,' then they select within our brand family."

According to Angel, this approach works particularly well for cigarettes, because smokers are extremely responsive to lifestyle messages.

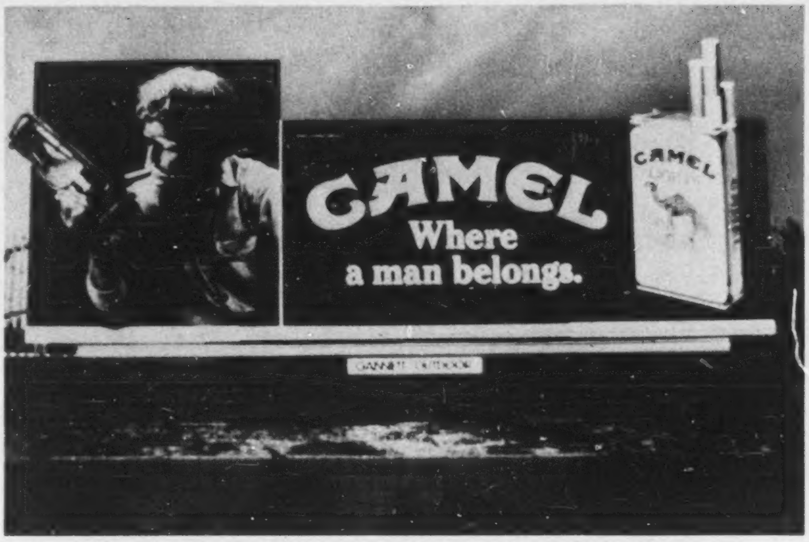
"If someone smokes a pack a day, that package is taken out 20 times a day, and it makes a statement every time.

"Therefore, that statement has to be consistent with what the smoker wants to say about himself when he puts it down on the table, or on a bar," he says.

The Camel team knew prior to family brand marketing that the brand's target audience was mostly male, although about 40% of one variety — Camel 100s — are smoked by women. But when the family brand concept was introduced, the challenge was to find a focus — an image the entire brand family could rally around.

Working with BBDO, the R. J. Reynolds research department reviewed the brand's history since 1913, when Camel was introduced. The brand was the first nationally marketed, blended cigarette.

"We were able to pinpoint certain elements that were essential for us to communicate," says Angel. "These include the masculinity of the brand, independence, a sense of adventure, and self-assurance. Those are the things we tried to put into the advertising, and we developed the campaign around that thinking."



Out-of-home's importance in Camel's media mix increased dramatically in 1981, with spending just under $11 million.

The campaign was then tested by RJR research, with positive results. "Amazingly enough, the strategy and the test results were almost in duplication — the image was communicated in a very positive way. With that, we built the entire campaign that is now running, 'Where a man belongs,' " says Angel.

Shostak explains how the Camel lifestyle statement works: "Consider that guy who puts down his pack of Camels on the bar. You don't see as many of those as other brands, so when he puts it down he is making a statement, more so than someone who smokes one of the more popular brands. He's saying something about independence — 'I'm doing this because *I want to do it,* not because ten of my friends smoke it, but because I believe in myself — I'm self-confident, I like the product, I like the imagery it gives me.' That's primary."

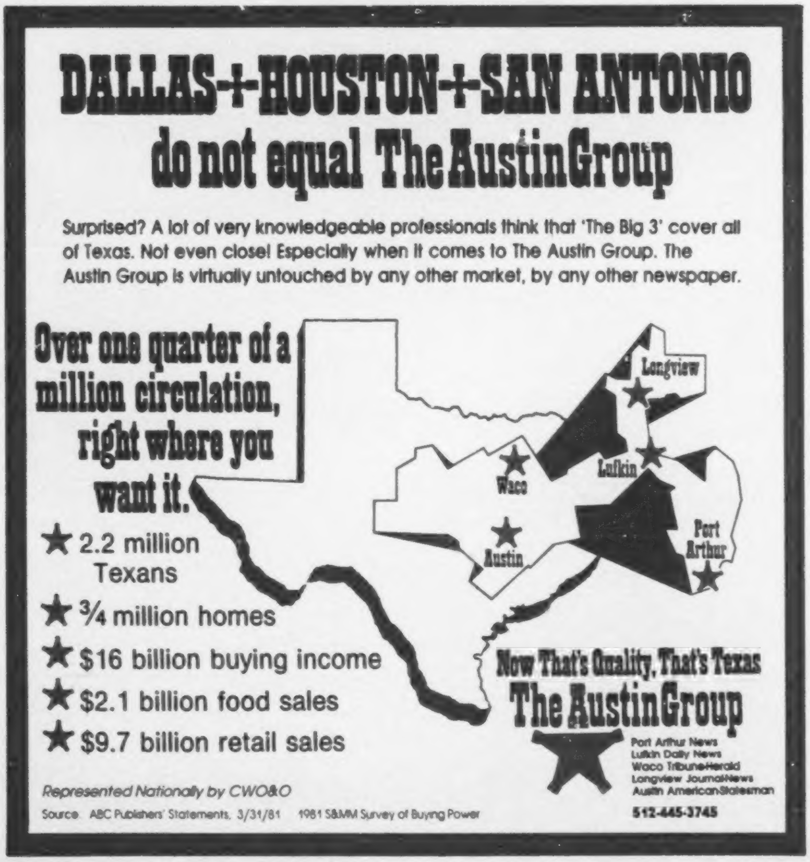
The lifestyle association is so important to Camel's marketing that its strategy transcends the usual demographic target categories. Although Shostak and Angel say that Camel's greatest growth opportunity is among younger adult males, they refuse to classify the brand along such divisions as occupation, income, age or ethnicity.

"Our advertising tells a story," Angel says. "It's a slightly different story to every person — but always one of adventure and excitement."

The "Where a Man Belongs" campaign brings the Camel image to life with depictions of the outdoor life — back packing, aviation, mountain climbing, winter camping, hiking and driving through backlands in a jeep.

But to get maximum impact for the campaign, there was a major shift in media strategy — for Camel and all other RJR brands — that also contributed to the brand's success in 1981. The decision: to focus RJR media at the local level as much as possible. This meant a substantial increase in use of newspapers and out-of-home media. In 1981, the mix for RJR's approximately $275 million advertising budget was $100 million for newspapers (36%); $75 million for outdoor (27%); $60 million for magazines (21%) and $40 million for newspaper supps (14%).

This mix reflects Camel's media use, Angel and Shostak confirm, although the brand is not currently using supps. *Decisions* estimates that RJR spent approximately $34 million to advertise Camel in 1981. Newspaper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Port Arthur News
Lufkin Daily News
Waco Tribune-Herald
Longview Journal-News
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Source: ABC Publishers' Statements, 3/31/81 1981 S&MM Survey of Buying Power

spending increased 61%, from $9 million in 1980 to $14.5 million in 1981, accounting for 42.6% of total dollars. The brand was the tenth largest cigarette spender in the newspaper medium in 1981.

RJR also cut back magazine spending in 1981 by 25%, but Camel's cut was in a number of magazines, and not as severe as those of other RJR brands. And the cuts had as much to do with family brand marketing as with local market concentration.

"Before the shift to family brand marketing, you had brands in several styles, and each targeted to a different segment. So brand families would buy almost every magazine, to cover every segment they were trying to reach with those styles.

Selling lifestyle without tv

To talk with John Shostak (right) and Ken Angel (left) is to talk with a team in action. The two clearly enjoy working together, and emanate a creative excitement. They met with *Decisions* after working through the night on arrangements for the announcement of Camel's sponsorship of the Cooney-Holmes fight. But they still managed to radiate enthusiasm for the brand, and for working together.

But the team extends beyond Angel and Shostak. Brainstorming sessions are held, at least monthly, with everyone involved in the brand, from marketing and advertisng to public relations and tobacco development. The meetings sometimes include as many as 25 people.

The purpose: cross-fertilization of ideas from various parts of the business. "If you're in media or promotion, you think that all day, and nothing but that," says Shostak. "But sitting in a group, sharing ideas, it may be someone in an unrelated field that offers an idea that might not seem feasible on the surface, but offers the germ of an idea that you can run with."

The challenge of restaging a brand such as Camel without the mainstay of most national advertisers — television — is also something the two enjoy. All cigarette advertising has been barred by federal law from television since 1971. Television is particularly tempting when the marketing strategy calls for reinforcement of lifestyle associations, as Camel's does.

Angel's first job in advertising was in media on the Camel account at Dancer Fitzgerald Sample in the 1960s, before the television ban. He has also worked in media at BBDO, and on the account side at Wells Rich Greene and Grey Advertising. Shostak joined RJR three years ago, coming from Johnson & Johnson, where television was readily available.

Says Shostak: "You can't learn, develop and grow without challenge. In a way, I pity marketers who rely on tv — it becomes a crutch. All you do is say, Ok, run a certain number of spots, get a mass reach, and then you're done, that's it. You lose the creativity, drive and challenge that you experience when you have to *find* a way to achieve your objective."

The Camel campaign's sharp focus on the masculine, adventurous lifestyle, coupled with targeted local media and promotion, is the team's way of making an end-run around the television barrier.

"More and more companies are coming to the realization in the 1980s that television alone, without the other spokes in the wheel of marketing doesn't really do the job," Angel says. "And lifestyle promotion is a major factor that we're going to hear much more about."

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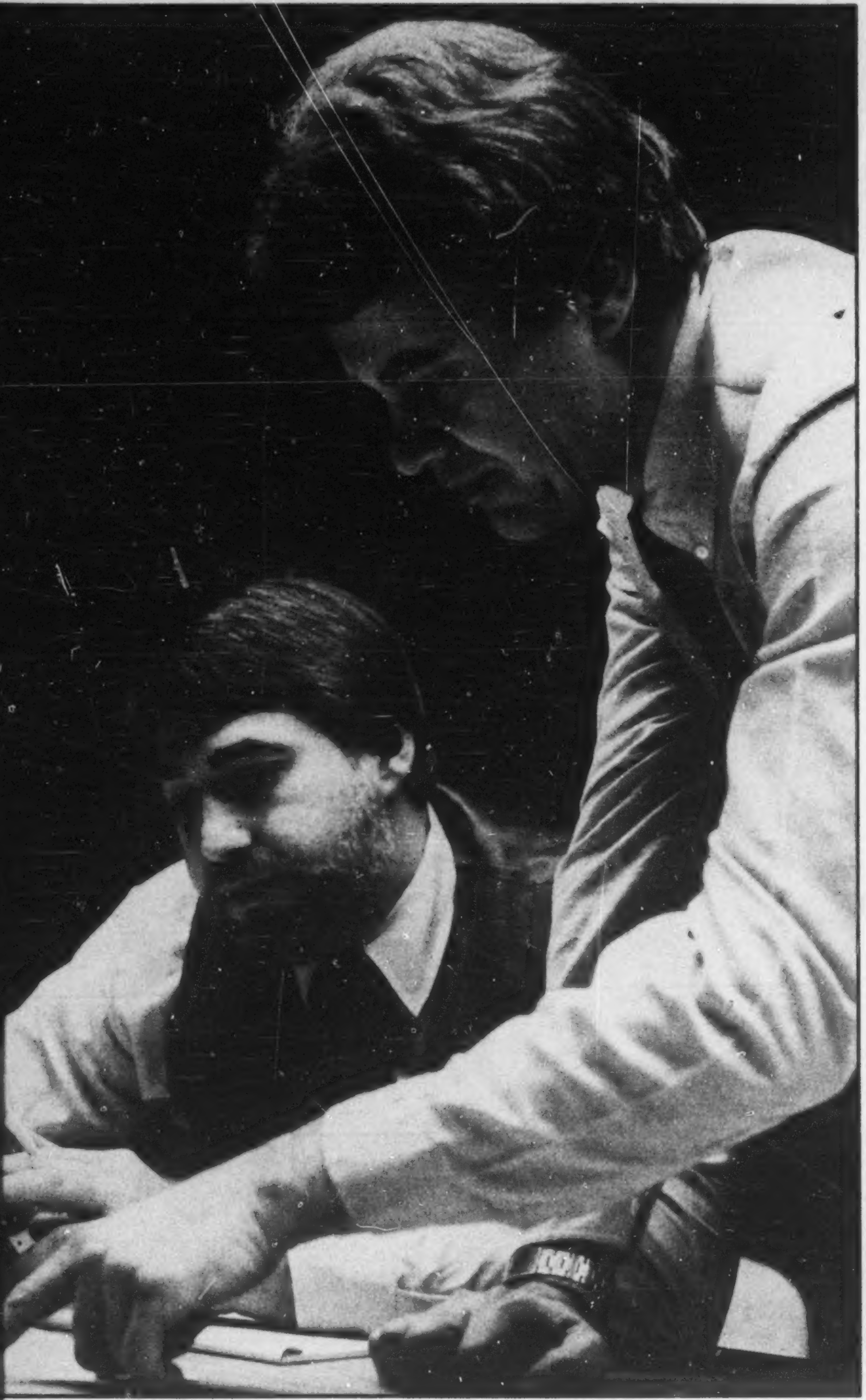

"Now, with family brands, we're saying we want to reach a single type of person with each brand, so you naturally focus your media. We saw some magazines tumble, or change or shift."

Although Camel was in fewer magazines in 1981 than in 1980, spending actually was up, from $4.2 million to $8.9 million (26% of the budget), according to Publishers Information Bureau (*Decisions* estimates that magazine spending actually was closer to $10 million in 1981). But the list was targeted exclusively against a male audience, and magazines were meticulously selected to reflect the Camel image. Dual audience books that made the list in 1980 were dropped in 1981.

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Camel media expenditures, 1981

	Total	Magazines	Supplements	Outdoor	Newspapers
Filter Cigarettes	$ 440.9	—	—	$ 440.9	—
Filter Kings	18.9	—	—	18.9	—
Filter 100s	48.3	—	—	48.3	—
Lights Filter	13,566.2	$7,355.7	—	6,210.5	—
Light Kings	3,286.7	—	—	3,286.7	—
Light Kings & 100s	706.7	—	—	706.7	—
Light 100s	72.6	—	—	72.6	—
Camel Collection	291.3	291.3	—	—	—
Camel Expeditions	1,156.1	1,156.1	—	—	—
Camel Trophy	113.8	113.8	—	—	—
Filters GT Racing	1.1	—	—	1.1	—
Total	$34,268.6†	$8,916.9	—	$10,784.6	$14,566*

Source: Leading National Advertisers, Media Records

* Reflects spending for all Camel varieties; spending break-out by variety not available.
† Includes newspaper spending

handled by Reynolds' in-house media operation, set up in January 1980 by director of marketing services Martin Orlowsky, who joined RJR in November 1977 after agency work at Needham, Harper & Steers, Grey Advertising, Young & Rubicam and Compton.

But Shostak and Angel provide the strategy and direction for Camel's media, and have considerable input on media selection.

According to Shostak, magazines are evaluated for reach, impact, editorial consistency, compatibility — and with a dose of common sense.

But Camel also approached magazine decisions in 1981 with an eye toward what Angel calls "ideas of participation" that books could provide for Camel's "continuing relationship."

On the shopping list were ideas for clutter breakthrough, and for sponsorship. Says Angel: "It wasn't anything that magazines wouldn't be asked for by a new piece of business — we just asked them to do that for an existing piece of business."

Angel and Shostak have also been looking for unique partnership ideas in their newspaper buys — most notably with the Camel Scoreboard, a plan whereby a Camel ad encloses sports statistics. The idea has been the source of much controversy in the newspaper industry since announced last year by means of a query to publishers and editors about the acceptability of the Scoreboard. A number of editors have

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objected to the uncertain mix of advertising and editorial.

However, more than 300 newspapers agreed to run the Scoreboard if it were offered by Camel, and 100 will be running it during 1982. The Scoreboard idea has also been extended to include Camel Soundboards, an ad wrapped around listings of popular music events appearing in papers such as New York's *Village Voice* and Boston's *Real Paper*.

"The Scoreboard gives us relevance on a national basis to our local market promotions," says Angel. "We've got it positioned where consumers are going to see it time and time again, building a local market impression, with information that is both national *and* local."

The local market media strategy has taken Camel — and other RJR brands — away from cpm efficiency, but the hope is that the efficiency loss is more than compensated for in increased impact.

"As soon as you make the decision to increase local emphasis, to increase your presence with a smoker in his environment, efficiency suffers. Obviously, we know what newspapers cost," says Shostak. "But what you get is consumers' perception that 'this is *my* newspaper; this is *my* neighborhood billboard.' "

Outdoor's role in the campaign is to provide four-color reproduction at the local level, Shostak says; Camel spent $10.8 million in that medium in 1981 (31% of the budget), according to LNA and *Decisions* sources.

One way RJR tries to expedite its local media strategy is through its in-house media set-up. Orlowsky told *Decisions* in November of 1981, that the in-house group allows them to respond more quickly to specific marketing situations.

But the commitment to outdoor for both Camel and other RJR brands is growing. Angel and Shostak confirm that one of the company's long-term goals is to become the most powerful, dominant national user of the medium. However, this takes time — choice locations are not so readily obtainable.

"Out-of-home gives us the glory and the grandeur of the campaign in four color — and we really do have a terrific, creative campaign," says Shostak. "But it is more difficult to

Camel's macho, Humphrey Bogart image

If Camel's 1981 market share increases aren't sufficient proof of the importance of the lifestyle and package changes in the brand's success, listen to the story of Steve Winters (not his real name), a loyal Camel smoker who switched to the brand last year. Although Winters' occupation makes him sensitive to the nuances of marketing, his reasons for switching make him remarkably close to the typical Camel smoker:

"I originally smoked Camel filters when they first came out, because of the name identity, the short stubby cigarette without a filter — and also because they were lower in tar and nicotine, but maintained the macho edge. They maintain your image, even though you smoke a lighter cigarette.

"But the package at first was corny, with triangles on the front, and darker brown coloring, and this 'pick out the Camel smoker' ad campaign, which really didn't relate back to the old, short stubby cigarette image.

"So I went into the Kent brand," he continued, "and also smoked nearly everything else under the sun — European cigarettes, whatever.

"I was smoking Kents when the new filter pack came out. It resembles the old pack. As soon as I saw it, I could relate to it again. This is a pack that I can lay on the bar, and most people mistake it for regular Camels. It usually gets a reaction, which is either the start of a conversation — which is what you're looking for — or at least reinforces the self-image you're trying to portray. You get all this reinforcement, it makes you feel like what the cigarette is trying to do."

Another factor is important as well, he said: "If you're really a smoker in this day and age, you invariably come across hostility, to one degree or another. The bar is really our last refuge — we're being kicked out of airplanes, movie theatres, offices, you name it. So if you go ahead and smoke anyway, you don't want the brand to be one more thing you have to *apologize* for.

"If you're really a smoker in this day and age, you don't want the brand to be one more thing to *apologize* for."

"Also, the ultra light cigarette is just another example of how lifestyle is trading down. You no longer can buy a big car; we're trading down in size. In cigarettes, you can't smoke a macho cigarette; you have to smoke a low tar and nicotine cigarette. Smoking Camel, for me, eases that whole process — it gives you a link to the past, before we all knew that everything kills you, that different frame of mind.

"Camel puts me back into the days of Humphrey Bogart lighting a cigarette, when smoking was cool."

procure outdoor than newspapers, which are readily available and have quick turnaround. So we'll have to continue playing with the newspaper and out-of-home mix until we finally optimize what we want."

City and regional magazines were considered as another way to get local four-color reproduction, but were rejected for Camel because of the heavily male skew of the product. "The dual — and often female-skewed audience — of the city and regionals made them not such a great buy for Camel, although they'd be desirable for certain other RJR brands," Angel says.

Top ten cigarette brands, ranked by market share

1981		1980	
Marlboro	18.3%	Marlboro	17.7%
Winston	13.3	Winston	13.2
Salem	8.8	Kool	8.8
Kool	8.4	Salem	8.7
Camel	4.8	Pall Mall	5.1
Pall Mall	4.7	Benson & Hedges	4.6
Benson & Hedges	4.5	Camel	4.3
Merit	4.5	Merit	4.2
Vantage	3.7	Vantage	3.8
Kent	3.0	Kent	3.3

Source: John C. Maxwell, Lehman Brothers Kuhn Loeb Research, New York

The local impression effort is geared to be consistent with Camel's image in every way possible. "We want to associate with the target's lifestyle — and the key ones are music, sports and night life," Shostak says. "We go direct to the consumer in his environment, and participate with him."

This is achieved through associations such as Camel's use of four-page inserts in *Goal*, the National Hockey League magazine. The monthly insert, "Camel Schedule at a Glance," lists all the contests in the NHL that month, along with service information.

Camel also sponsors "Camel Ski Maps" at 80 ski areas nationwide — ski trail maps emblazoned with the cigarette's logo.

This sponsorship is backed up with promotions such as exhibitions on the ski trails, races, slaloms, bartender races, as well as evening events in nightclubs featuring local celebrities, and — of course — Camel sampling.

This field promotion is no different from other cigarette "sampling" programs, with the important difference that Camel strives to tangibly reinforce the brand image at the point of sample. "We could simply use street intercept sampling," Angel says. "But then you'd just give someone the cigarette. They'd smoke it and enjoy it, but it wouldn't have the rest of the image."

Shostak echoes the point: "While you have the opportunity, you can also reinforce the imagery of the brand — that's what field marketing is all about."

Camel is also very active in sponsorship of sports on a larger scale, through sponsorship of such events as the Gerry Cooney-Larry Holmes fight this June 11th in Las Vegas, and of GT sports car racing nationwide.

Perhaps the most innovative extension of the Camel image is the brand's association with Thomas Cook in mass marketing a series of rugged, adventure vacations, called "Camel Expeditions." The trips available in 1981 included 10-day canoe trips through Maine's Allagash Wilderness Waterway; a two-week exploration of the jungles, mountains and villages of Ecuador; and a 10-day sailing and diving cruise in the Caribbean.

The expeditions were backed with more than $1 million in advertising last year, and were announced with two full-page ads in the May and June issues of *Adventure Travel, Esquire, Going Places, Money, Playboy, Signature, Sports Afield, Sports Illustrated* and *Travel & Leisure*. Double-page trade ads were placed in *Travel Weekly, Travel Age* and *Travel Agent*.

Camel is not alone in this type of "target promotion." Last year, Brown & Williamson increased its sponsorship, for Kool cigarettes, of the Kool Jazz Festivals, from 15 to 20 events.

Reynold's Vantage cigarettes sponsored 32 golf tournaments, and the company's Salem brand this year is sponsoring a series of country music festivals to celebrate the brand's 25th anniversary. A spring and fall tour of 16 cities will feature four country and western acts.

Philip Morris last year launched the "Merit Report," sponsorship — to the tune of $10 million a year — of a public opinion poll for the Merit brand. PM employees travel in vans equipped with computer equipment in various regions around the country, interviewing people on topical issues.

The responses are fed into a computer, which prints out a comparison of the interviewee's answers with the system's national opinion profile.

But Camel's promotion — along with its refocused marketing and media efforts — are producing the most striking sales results thus far.

In fact, the 1981 results were beyond even the expectations of Shostak and Angel — at least those they were willing to commit to paper.

"There's always one set of numbers you present to management as your official projections," says Shostak with a grin, "and then there's another set that you think privately you can do. We told management we thought we could move the brand from seventh to sixth place last year. But we really were shooting for the number five spot."

What comes next for Camel? The two will only say that "there is more to come — much, much more."

If 1981's track record is any indication, the Marlboro man had better watch out.

Mark Miller

I LOVE NEW YORK

Luring 'em with brass and class

Beneath the glitter and fanfare of the "I Love New York" tourism campaign are marketing results as solid as bedrock: statewide resort occupancy increases of nearly 70%, and a 100% increase in Broadway ticket sales. Behind the figures are a blend of creative coups and a daring — yet disciplined — marketing.

What do actress Liz Taylor, Governor Hugh Carey and diet author Bess Myerson have in common? They love New York. And they aren't alone.

In 1981 New York State welcomed 54,000,000 visitors, who spent a record $10.5 billion in mad money. That's $5.2 billion more than just five years earlier.

Public officials, advertising executives and travel agents agree that credit for the phenomenal rise in travel-related state revenue goes in large part to the "I Love New York" campaign administered by the state Department of Commerce and implemented by agency Wells, Rich, Greene in New York City.

The campaign logo, "I (heart) NY," has replaced the Happy Face as the symbol most seen in statewide souvenir shops. But it represents a great deal more than a simple emblem emblazoned on bumperstickers, buttons and T-shirts. The logo represents what New York's Governor Carey applauded last summer as the "most successful campaign in the state's history."

In the first half of the 1970s, tourism

N.Y. STATE TRAVEL

Natel Matshulat, senior deputy commissioner and director of tourism, and development, New York State Depart. of Commerce

Wells, Rich, Greene

I ♥ NY

in New York State grew stagnant while vacationers packed their bags and toured the rest of the country in record numbers. The Department of Commerce estimates that the cost of that stagnation amounted to almost 13.6 billion in lost revenues. The state's fiscal 1977 promotion budget of $660,000 — only $202,000 of which was slated for advertising — promised only to further paralyze tourism and contribute to the state's worsening economic woes. The fiscal year ends in March.

"In the decade preceeding 1976, we

lost over 500,000 jobs and something like two million people from our population base," says Natel Matschulat, senior deputy commissioner and director of tourism and business development for the New York State Department of Commerce. "It was a disaster. Something had to be done, and done fast."

Tourism, second only to agriculture as the state's largest industry, provided one of the solutions to the economic puzzle. Only tourism could generate substantial returns on minimal investments. "We did not have to build new

To the lady from Greece, love at first sight

Natel Matschulat came to America as a foreign exchange student when she was 16 years old. En route to Milwaukee, and the family to whom she was assigned, she and her fellow students stopped over in New York City. "We were in New York for about four days," she recalls. "I walked into the hotel room the rainy night we arrived and guess what I could see from my window? The Empire State Building. I could not believe it. I don't know, people have experiences of seeing God . . . it was that kind of thrill."

When she finished her education in 1967, Matschulat returned to New York City to build a career in marketing. She brings more than 12 years experience to her post at Commerce, including five years with Grey Advertising, a year with Foote Cone & Belding, and six years as a marketing manager at Lever Brothers.

Today, Matschulat shoulders the weighty responsibility of a program that will spend in excess of $10 million in 1982 and, if the campaign's return on investment is maintained, will generate 64 times that amount in revenues for the state of New York. Accustomed to a large corporate environment where enormous support structures exist, Matschulat was initially somewhat apprehensive about the Commerce job, where she was the only experienced marketing person on staff. "It was a challenge knowing that what happens ulitmately rests very totally on you, and you can blow it in a big way or you can make it in a big way," she says.

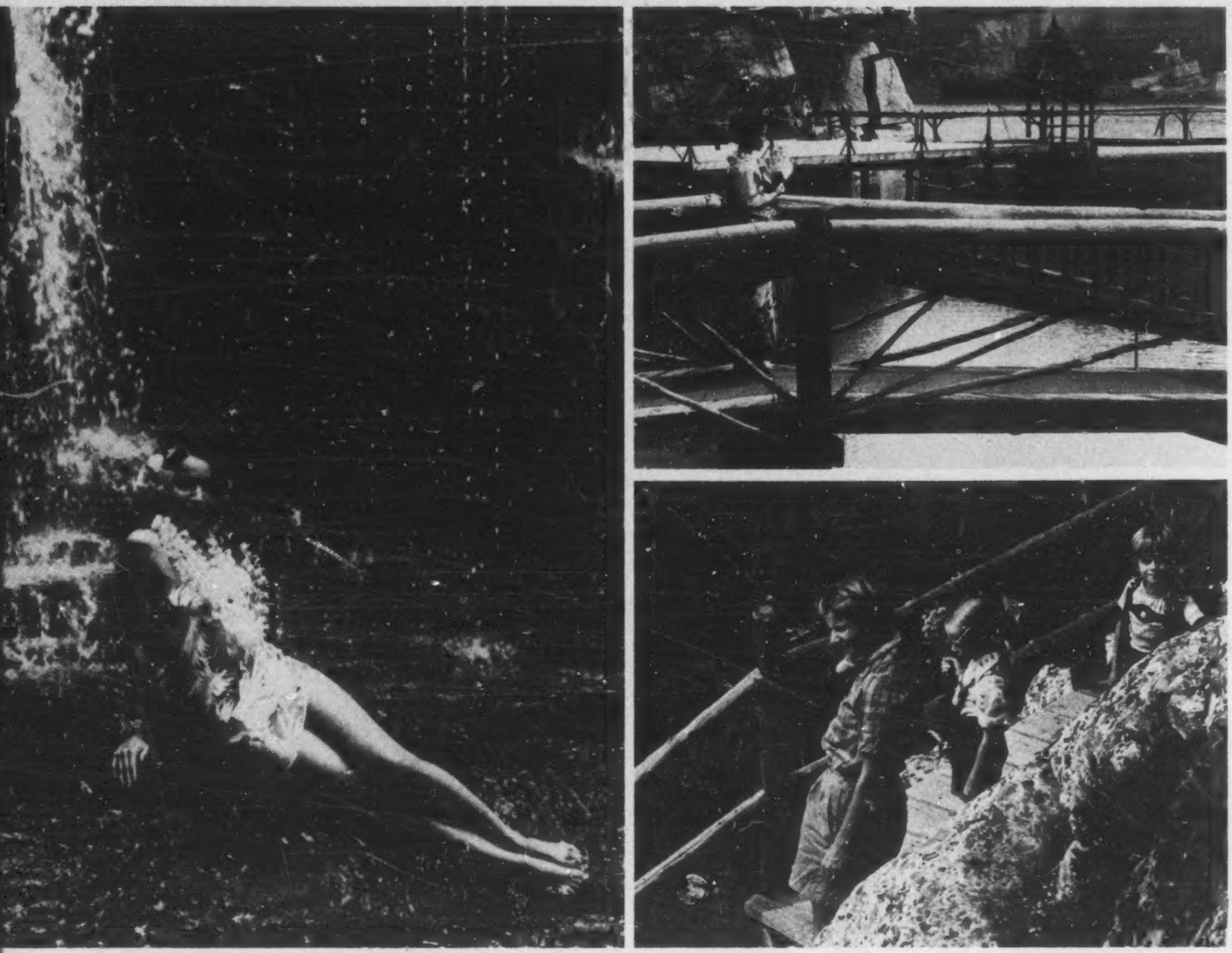
Matschulat also finds herself more mindful of her responsibilities because — again — unlike the corporate world, government officials are answerable to the entire population they represent. "Here, you have a situation where you're basically reporting to something like 17.5 million people," she says. "There is not a citizen in this state who does not have the right to question what I'm doing."

Matschulat views her post at Commerce as the most "extraordinary" experience of her career. Professionally, she feels that her work with such a complex government-administered project has given her enormous insight into the relationships between the public and private sectors.

"I have a tremendous personal emotional attachment to New York," she says. "That I would actually be the person to head up the promotion program for New York is just something I can't believe. It's one of those dreams come true."

When she was an infant in Greece, American GI's had just mopped up the Axis powers and liberated Europe. Growing up, she envisioned America as a land of opportunity where enormous technical and social strides were being taken daily. And, in her eyes, the capital of American progress was New York City.

Natel Matschulat now occupies a prominent office in the well-known Helmsley Building, which straddles Park Avenue at 46th Street. As senior deputy commissioner and director of tourism and business development for the New York State Department of Commerce, she is top administrator of the phenomenally successful "I Love New York" tourism campaign. She inherited her scepter in 1979 when former deputy commissioner William S. Doyle, who launched the "ILNY" program, returned after a three-year absence to Chase Manhattan Bank. Under her stewardship, "ILNY" has continued to generate record travel-related revenues and to add official accolades to its already award-laden trophy case.



Tv commercials promoting up-state tourism feature exotic scenes in New York's Adirondacks that can be enjoyed close to home. About two-thirds of the media budget is spent on upstate advertising. Target for upstate tours are lower-income families, one of two distinct groups in the Northeast that New York State takes aim at. The other: more affluent couples to whom New York City's culture-rich atmosphere is the lodestone.

hotels, new anything," says Matschulat. "The product (New York state) was already in place. All we had to do was start promoting it."

In 1976, William S. Doyle, then deputy commissioner of the Commerce Department, redirected $100,000 of his already meager budget and contracted Consumer Behavior, Inc., and Wells, Rich, Greene to conduct a major marketing study on New York state tourism. Presented to the state legislature early in 1977, the well-documented study concluded that a strong tourist industry could quickly and cheaply create jobs, increase tax revenues and generally bolster a sagging state economy.

On May 17 of that year, Governor Carey and the state legislature okayed a $4.3 million budget for fiscal 1978 to fund a tourism campaign to be waged by Wells, Rich, Greene. Six weeks later, New Yorkers were introduced to the "I Love New York" slogan and theme song in a five-week television flight which reached 20 markets in the Northeast.

Both Commerce Department and Wells, Rich, Greene spokesmen admit today that the campaign, however well planned and executed, was a shot in the dark when it began. Up to that point, most states relied heavily on brochures and tourist information centers to promote travel. The concept of a state spending millions on advertising was an awkward one for public officials to grasp. They considered advertising somewhat intangible and blanched at the thought of producing three spots at a cost of over $250,000.

But now there is no doubt as to whether the gamble has paid off.

More than 66,000 jobs have been added to the tourism industry since 1977, bringing the total close to 260,000. Studies show that 40,400 of those can be attributed directly to the "ILNY" campaign. Ticket sales on Broadway are up 100.8% over the pre-"ILNY" era. Statewide resort occupancy has risen from 69.4% in the summer of 1977 to 84% in the summer of 1981. And this increase is deceptively low because there has been a marked increase in the gross number of units. Over $265 million was spent or committed in 1980 and an additional $142.5 million through June of 1981 for the expansion or construction of upstate facilities alone.

The most impressive measure of the

Buttons and a myriad of other memorabilia are part of "I Love New York" — and manufacturers of tv shirts, hats and other products have been encouraged to use its logo and slogans which have never been copyrighted.

campaign's success is the remarkable return on investment over the program's five-year lifespan. Commerce allocated and spent $31.7 million on the campaign from 1977 to 1980. The gross incremental state and local tax revenues attributable directly to "ILNY" amount to $250.2 million, representing a return on investment of eight to one. Additional travel-related revenues total $2,033.7 million, an awesome 64 to 1 ROI.

"It is a phenomenally profitable program," says Matschulat.

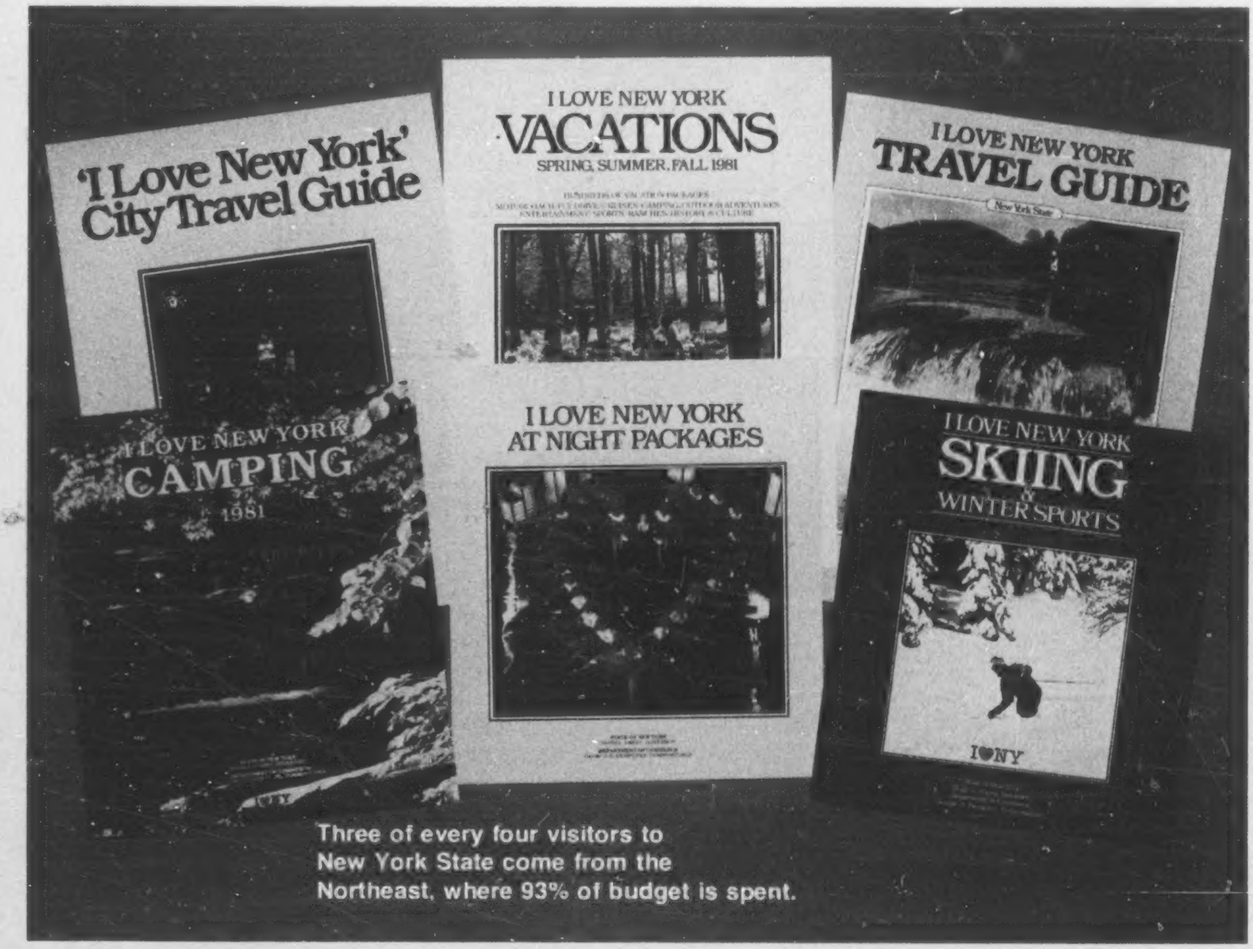
Creative coups and marketing discipline

What made the "ILNY" a daring yet disciplined marketing plan?

The importance of the slogan itself cannot be overemphasized. Its overwhelming popularity has made it, in the words of its creator, Charlie Moss of Wells, Rich, Greene, "very precious property" indeed.

If it were ever to get off the ground, the campaign had not only to lure out-of-state travelers to New York, but also to remind New Yorkers themselves of the attractions on their home turf. Moss, vice chairman and corporate creative director of Wells, Rich, Greene, convened a brainstorming session with a circle of advertising executives to conjure up a slogan that would pique the interest of both target groups. Having since become known as the "guiding spirit" of the "ILNY" campaign, Moss hit on the solution: testimonial advertising in which visitors from other states and countries declare their love for New York.

The deceptively simple testimonial,


'I Love New York' City Travel Guide
I LOVE NEW YORK
VACATIONS
SPRING, SUMMER, FALL 1981
I LOVE NEW YORK
TRAVEL GUIDE
New York State
I LOVE NEW YORK
CAMPING
1981
I LOVE NEW YORK
AT NIGHT PACKAGES
I LOVE NEW YORK
SKIING
&
WINTER SPORTS
I♥NY

Three of every four visitors to New York State come from the Northeast, where 93% of budget is spent.

New York State Tourism budget for promotion

	Fiscal year 1980-81		Fiscal year 1981-82	
	Dollars	Per cent of total	Dollars	Per cent of total
AD MEDIA				
Consumer magazines	$ 644,800	7½%	$ 313,000	3%
Trade magazines	215,600	2½	220,800	2
Network tv	—	—	328,200*	3½
Spot tv	2,907,400	34	3,360,400	33½
Spot radio	99,000	1	303,400	3
Newspapers	237,100	3	461,700	4½
Sunday supps	441,400	5	380,000	4
Foreign magazines	22,800	—	28,500	—
Airline co-op (NYS share)	526,500	6	650,000	6½
Total ad media	$5,094,600	59%	$6,045,800	60%
PROMOTIONS & BACK-UP				
Collateral	$1,549,000	18%	$1,715,000	17%
Public relations	302,000	3½	400,000	4
Research	134,400	1½	229,900	2
Production	733,900	8½	927,000	9
Seminars, mini-tours, trade shows, etc.	718,200	8½	768,300	8
Total promotion	$3,490,400	41%	$4,040,200	40%
TOTAL BUDGET	$8,585,000	100%	$10,086,000	100%

Source: Wells Rich Greene and N.Y. State Commerce Dept. * Regional network feed.

"I love New York," became the keynote of the entire campaign and quickly became more than simply a catchy advertising slogan. Set to music by "the king of the jingle jungle," New Yorker Steve Karmen, the contagious four-word ditty almost singlehandedly transformed the public's emotional attitude towards the state.

"One thing about our slogan that people don't recognize is that it's emotional," says Martin Stern, executive vice president of Wells, Rich, Greene. " 'I Love New York' is a piece of emotion. And it apparently tapped what people actually felt; otherwise it wouldn't have worked. In fact, a lot of people were very negative about New York, and suddenly somebody was saying, 'I love New York.' It's very difficult to come by a slogan like that."

Taking New York's lead, other states have since adopted slogans for their own tourism campaigns: these include "You've Got a Friend in Pennsylvania," "New Jersey's Got It," "Make It in Massachusetts," and "Ooh, The State I'm In! Maryland." So far, none has evoked the extraordinary national and retail appeal of "I Love New York."

The proliferation of "ILNY" paraphernalia has reached near epidemic proportion and has provided incalculable support in the retail marketplace for the publicly financed campaign. According to Commerce, the logo was never copyrighted, in hopes that commercial producers might borrow it and saturate target markets with the image, thus multiplying the impact of the campaign itself. That is exactly what happened.

Thousands of matchbooks are in circulation which proclaim that "King Edward (Cigars) Love NY." The United Hospital Fund print ads have added a slight variation, declaring "Love a Healthy New York." I L NY Enterprises, a mail order business which sells monogramed "I Love New York" jackets, is actually based in Beverly Hills. Former actress Bess Myerson and colleague Bill Adler recently penned a national best selling book entitled "The I Love NY Diet."

"Born in New York, raised on its pavements and in its parks, educated in its schools and universities, trained in its hospitals, I love New York," gushes Dr. Myron Winick in the diet book's foreword.

But despite the creative successes of Moss, Karmen, 70-time-Clio-winning director Tom Horn, and a host of talented television writers and directors associated with the "ILNY" campaign, the influx of tourists and state revenues depended largely on the marketing plan.

"Everybody who thinks about this campaign thinks in terms of the buttons, the bumperstickers, the commercials and the music, the ads and the actors, and the scenic upstate pictures," says Stern, one of the primary architects of the media planning since the program's inception. "That was all important in the implementation, but I think that the basic reason it worked was because there was very solid marketing discipline involved — exactly the way we would have done it for Procter & Gamble."

Providing the foundation of the plan, insists Stern, is research. "It all starts with market research. Only by understanding the market can you then understand what media you need and what the various functions of the media are."

Stern considers the original research study conducted by Consumer Behavior and Wells, Rich, Greene to be the real birth of the "ILNY" campaign. Polls for the study measured participants' attitudes towards upstate versus New York City, as well as their impressions about what was and was not desirable about the state.

The study confirmed what Commerce officials and executives at Wells, Rich, Greene surmised. There were two distinct target groups and markets: more affluent singles and couples who spent short visits soaking up the culture-rich atmosphere of New York City, and families and lower income groups who toured the scenic landscapes upstate. Though there is considerable overlap in the target groups, each posed very particular media and marketing problems — problems exacerbated by a limited budget.

New York City presented a complication most ad agencies and their clients would relish. It is promotable at any time of the year in almost any part of the world. Because of budget limitations, Wells, Rich, Greene proposed that the city be promoted during cycles when hotel occupancy is normally low, especially in mid-winter. Thus, it has become a tradition for the campaign's intensive Broadway-oriented television advertising to debut in January or February.

Why so much emphasis on Broadway? Stern refers once again to the preliminary research. In a poll of New Yorkers and out-of-state visitors, Broadway was voted the most "appealing" attraction of New York City by a margin of two to one over its nearest competitor, museums.

Broadway is the number one attraction for getting people to come here and getting people to come back," says Stern. "It is the carrot. It's very visible; its very exciting. It's also unique. No other city has Broadway the way New York has it. And, of course, when people come to the theater, they have to stay at a hotel and they have to go to a restaurant to eat."

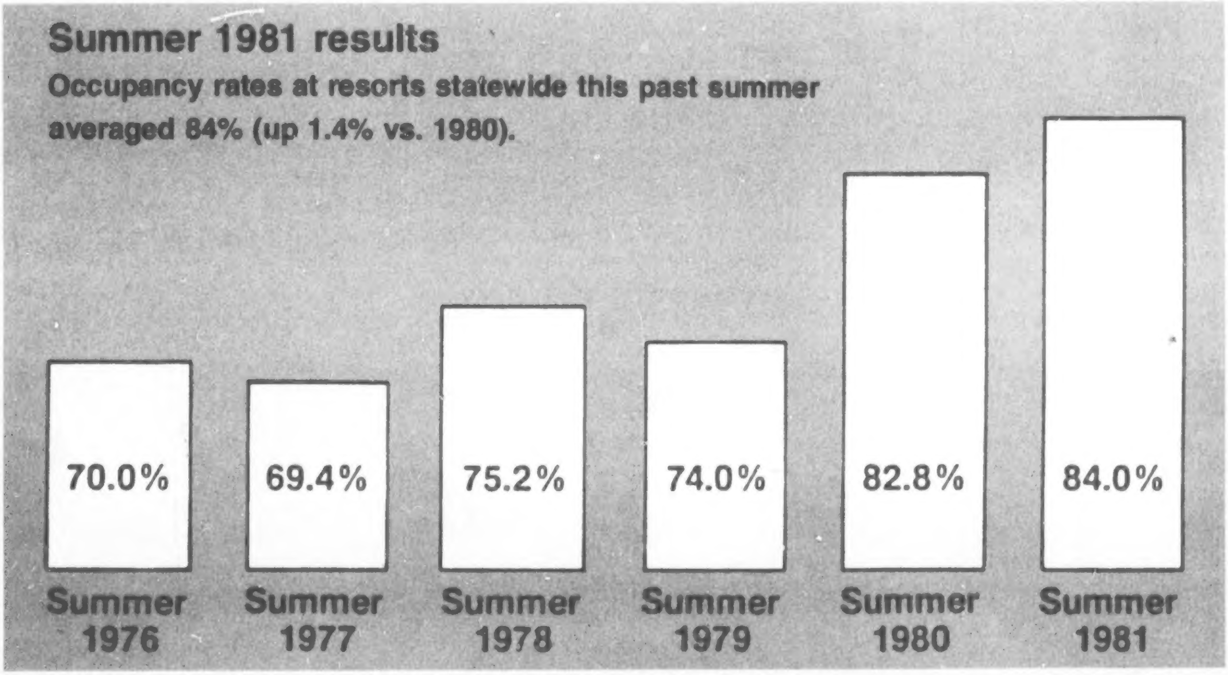
In addition to the theater, the latest spate of print advertising for the New York City campaign stressed the wide variety of shopping opportunities, the 23,000-plus restaurants, and the ease of travel to — and within — the city. Emphasizing the availability of package tours tailored to every taste, the ads have also attempted to convince economy-wary readers that the city is not only "incredible," but also "affordable."

Over the years, some confusion has existed as to whether "I Love New York" was a city or statewide slogan. In fact, in 1979, when Matschulat inherited the reins from William Doyle over the tourism campaign, she was beseiged with letters from upstate citizens and officials complaining that too large a percentage of the advertising was invested in New York City.

"In fact, 67% of the budget is spent on upstate advertising and 33% for the city — which, one could easily argue, is unfair because, if you look at the business (generated), it's more like 50/50," says Matschulat.

The reason for the imbalance, she explains, is that the portion of the campaign which focuses on upstate must fulfill two requirements. Before it can convince tourists to spend their precious vacation time upstate, the program must first increase public awareness as to what attractions exist there — a problem not generally suffered by New York City.

In addition to determining the socio-economic background and desired destinations of the target groups, market research dictated the geographical focus of the "ILNY" campaign. Whether lured by the bright lights of Broadway or the green slopes of the

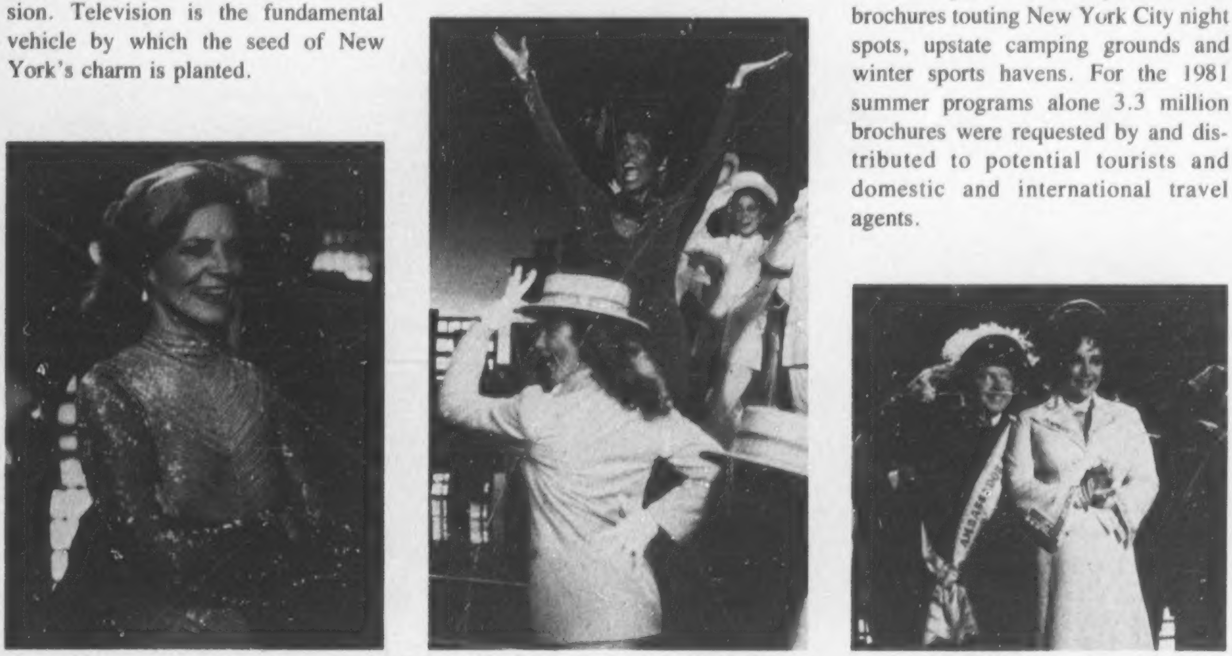


Adirondacks, three out of every four visitors to New York State hail from the Northeast. Not accidentally, over 93% of the state's fiscal 1981 budget of $8.9 million — $5.1 million of which was earmarked for advertising — was directed at Northeastern markets. Advertising geared towards New York City has been placed in larger urban areas such as Philadelphia, Washington and Boston where there is a concentration of the more affluent professionals who routinely visit the city. In turn, smaller regional markets have proven more effective for the promotion of upstate.

Television: the medium for the message

Though target groups and markets for New York City and upstate may differ, the single most effective medium has remained the same for both throughout the campaign: television. Television is the fundamental vehicle by which the seed of New York's charm is planted.

"Television has been our primary medium because it, more than any other medium, is able to get at people's emotions," says Stern. "And more than anything else, if you try to attract somebody to a destination, emotions are very important. Also television is a medium that increases awareness very quickly and, of course, is able to show off the places you want to highlight with sight and sound."



Broadway stars were happy to pitch-in for "I Love New York" commercials — contributing their talents at union scale rates. Among them were Lauren Bacall, Lena Horne and Elizabeth Taylor.

From the creative standpoint, the television ads have been enormously successful. They have earned virtually every official accolade, including a special Tony Award. And though Broadway actors initially had to be persuaded to contribute their talents at scale, now, says creative director Moss, "there's a sort of waiting list to get into the commercials — no matter what the problems on price."

Moss, who wrote the first Broadway tour ad spots, describes the "ILNY" campaign as "one of the least problematical accounts you can have." The only disadvantage is self-imposed: the quality of the commercials has been so high that there is a great deal of pressure each season to produce new ads of equal or better creative ingenuity. Because the public now looks forward to the new set of ads every winter, explains Moss, any small creative failure would register as an enormous letdown.

Having enlisted the talents of Elizabeth Taylor and Lena Horne for the latest set of television spots, Moss admits that the Broadway commercials may have reached their peak. "Maybe we'll find another way to express the 'I Love New York' message next time," he says.

Though print is not as important as television in the "ILNY" media plan, it plays a critical role. Television plants the emotional seed and print nurtures the soil with information.

"Television has been our primary medium to get people to want to go," says Stern. "We use the print media more to tell people how to get there — to give people information as to where they can stay, what it costs, how to travel."

As has always been true, concrete information is the backbone of any argument used to sway tourists from one locale to another. Post office boxes and toll free 800 telephone numbers are vital elements in any travel-oriented advertising. Through these devices, as well as through countless travel agencies across the country and in Europe, interested vacationers can obtain copious folders packed with brochures touting New York City night spots, upstate camping grounds and winter sports havens. For the 1981 summer programs alone 3.3 million brochures were requested by and distributed to potential tourists and domestic and international travel agents.

Over $2.9 million, 57% of the fiscal 1981 advertising budget, was spent in spot television markets in the Northeast. Even in fiscal 1982, when $328,000 was set aside for network feeds, only Northeastern network spots were purchased.

As in the spot television market, "ILNY" media buyers have focused on print media that deliver specific target groups in the Northeast. Thus, total newspaper expenditures, including both daily ads and Sunday supplements, amounted to $678,000 (or 14%) of the fiscal 1981 budget. In fiscal 1982, newspaper advertising was augmented by an additional $164,000. Consumer magazines, which accounted for $645,000 of the fiscal 1981 budget, received less than half that amount in fiscal '82 because of the increasing demands placed on the budget by television costs. In both 1981 and 1982, disbursements for all media, including radio varied by only a few percentage points, once again underscoring the backup function that all other advertising in Northeastern markets plays to television.

Even at a gross of $10.1 million — $6 million of which is slated for advertising — the fiscal 1982 "ILNY" budget pales in comparison to large commercial accounts. Since the campaign kickoff in '77, the size of the budget presented obvious disadvantages. Even concentrated in Northeastern markets, the budget is not substantial enough to saturate the media as thoroughly as do many heavyweight commerical companies. The solution to the budget crunch is a model of efficiency.

"Rather than spread the advertising over a long period of time, we run for a very short period, but try to create tremendous impact," says Stern. "We've also found that if you run this campaign heavily on television for about a month, people think you've been on three or four months."

Follow-up research has proved the formula surprisingly successful. When polled, a significant percentage of individuals aware of the campaign insist that they have just recently viewed a commercial when, in fact, three months have elapsed since the last spot was aired.

Wells, Rich, Greene executives confess that condensed delivery was initially considered a risk. Today, the concept is hailed as one of the most innovative aspects of the "ILNY" media plan.

"The one thing I've learned in advertising is that you can't be everything to everybody," emphasizes Stern. "It's almost always better to focus. People sometimes get uncomfortable with that because they say, 'Well, what about the restaurants, what about the United Nations, the Statue of Liberty, the Empire State Building?' But if you advertise all of them, then you suddenly have a travelogue and the advertising becomes much more uninteresting and just doesn't work as well.

"I think that's been one of the problems with a lot of travel advertising," he continues. "Tourism promoters are so anxious to tell each potential visitor about everything that, in a way, they've really told them nothing."

Creator of I Love New York slogan, Charlie Moss (left) and Martin Stern, executive vp, Wells Rich Greene, who manages the account.

Stretching the dollars

National and international markets are relegated by the dictates of both market research and budget limitations to secondary roles in the "ILNY" campaign. To promote them, the N.Y. State Department of Commerce has relied primarily on cooperative advertising shared with major airlines. The first cooperative contracts were negotiated by Bruce Lucker, an independent promotional consultant, in the summer of 1978. In fiscal 1981 and 1982, the state budgeted $526,500 and $650,000 for cooperatives respectively — approximately 10.5% of the total advertising expense for those years. Fortunately for the campaign, airlines contributed eight to ten times as much.

Though the ratio of financial commitment is decidely in the state's favor, Matschulat insists that airlines have a great deal to gain by participating in the "ILNY" program. "What we offer the airlines in exchange for investing that money in promoting New York is use of the 'I Love New York' program — which has clearly been recognized as the most effective tourism promotion program anywhere. It gives them a competitive advantage in a given market. We give exclusive rights for use of the program to the particular airline that we work within a given market and it gives them the means of differentiating themselves from their competition."

To date, major participants in the cooperative campaign have included United Airlines, American, Braniff, Delta, Eastern and North Central domestically, and Japan Airlines, British Airways, Pan Am, Varig (from Brazil) and TWA on the international front.

A particularly powerful and economically efficient promotional device utilized by Commerce is the Broadway mini-tour which is also funded by cooperative programs. Capitalizing on the availability of talented Broadway performers, the state shuttles hit shows to various urban centers here and abroad for 1-3 night appearances. In February, the cast of "Sophisticated Ladies" was flown to Paris where they put on two well-attended performances for the French press and European travel industry representatives.

In a similar vein, Commerce footed the bill for national and international press and travel agents to visit New York.

And the state sponsors a host of local promotional tie-in programs, ranging from children's camps to summer festivals.

Good will is a factor which fails to show up on expense ledgers but which has unquestionably contributed to the success of "ILNY." For the very first Broadway show tour commercial in 1978, Wells, Rich, Greene convinced actors to work for scale and to waive residuals. "Otherwise," Stern points out, "none of those commercials would ever have been made." Every year since, stars have eagerly stepped in front of the camera to sing, "I Love New York." Top names like Lauren Bacall and Mickey Rooney have worked for rock-bottom prices not only because the ads plug their own shows, but because the actors claim a sense of loyalty to the state and to the institution of Broadway.

That invaluable allegiance extends to Wells, Rich, Greene as well. "This is not an account that we make a hell of a lot of money on," says Stern. "That's not really our purpose. When we first took the account, we looked at it primarily like a public service account.

"I mean, who would not want to help New York State when you make your own living here?"

Swamping the competition and looking ahead

Without question, the success of the "ILNY" campaign has persuaded numerous state tourism agencies to value creative advertising and a disciplined media plan. For many, however, inadequate funding presents a persistent problem. Though per visitor, New York ranks near the middle of the pack in promotional spending, its gross $10.1 million budget is larger than that of any other state.

Maryland, which initiated its "Ooh, The State I'm In!" campaign just last year, was granted an advertising budget of only $408,000. Director of tourism Kurt Alverson insists that his department makes a conscious effort not to duplicate "ILNY" strategies, but admits that they do serve as models. He considers use of television as one of the most dynamic and effective traits of the New York program. Unfortunately, given his "meager" budget, television production and spot costs are prohibitive, and he has restricted the state's media spending to print.

In competing with New York, Stephen Richer, the New Jersey Director of Travel and Tourism, claims that his state enjoys a definite advantage over others in the Northeast. "We don't compete," says Richer "We're glad about the New York campaign. The more people go to New York, the more they are drawn into our area. It's very much a plus for us." And a reaffirmation of the drawing power of "ILNY."

The New York tourism campaign has been so successful in attracting tourists from competing states and in reawakening New Yorkers to the many attractions around them that the Commerce Department, again leaning on the creative shoulder of Wells, Rich, Greene, has just recently initiated "Made In New York," a sister campaign geared towards business. The objectives of the new campaign are twofold: to convince local businesses to remain, and to lure national and international companies to New York. Despite being funded and adminstered separately from the tourism program, "Made In New York" will borrow many of the winning ways of "ILNY," including the logo and theme music.

Though there have been many difuse campaigns aimed at business over the years, "Made In New York" was offically christened in the fall of '81. The state's commitment to the program was evidenced when the $1.29 million fiscal '81 budget was boosted to $2.8 million for fiscal '82. As in "ILNY," spot television leads the list of media expenditures, accounting for 35 percent of the new budget. Surprisingly, the international market is considered to have rich potentials. Whereas only .4 percent of the tourism budget is slated for foreign print

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media, 21.6 percent of the "Made In New York" campaign will be spent in overseas magazines and newspapers.

Now that the campaign has been given a unified identity and media strategy, as well as a substantive budget, Matschulat promises that " 'Made In New York' is going to be a very, very major campaign."

In studying the "I Love New York" campaign, one is hard pressed to find even minor setbacks. Radio producers bristled in the summer of 1977 when campaign administrators requested that audio tracks from Broadway television commercials be aired gratis as public service announcements. Citizens and the press flinched in mid-1980 when the legislature considered stamping the "I Love New York" slogan on license plates — "Here is a piece of consummate politicians' gall," wrote New York *Times* columnist Russell Baker, "not satified with taxing you, they also force you to say you love them." And the Albany city council had its feathers ruffled in the fall of 1980 when campaign television producers imported 200 pigeons into one of the town squares to give the pigeon-free city a Viennese flair. But these basically inconsequential regressions can hardly dim the brilliant achievements of a program which has literally created thousands of jobs and raised millions in revenues for an economically depressed state.

If any flaw exists it is courtesy of tight-fisted state legislators. Despite the remarkable return for every dollar spent on "ILNY," the legislature has refused to increase funding, even to keep pace with inflation. Commerce, arguing that the $10.5 million was spent in fiscal '79 buys 36% less media exposure in 1982, proposed a $6 million budget increase for '82. The legislature finally signed a disappointing $10.1 million budget.

"You do expect that in post-introductory years you don't have to spend as much money to maintain a given level of volume," says Matschulat. "We're not talking about a situation of saturated market — of having gotten everyone who could possibly come here coming here. We feel there's room for growth. If we were to maintain the purchasing power of the budget level we had in 1978 and 1979, we should expect a substantial increase in the volume of business."

Still, the performance of the "I Love New York" campaign has surpassed all expectations and promises to continue to do so.

"There's no end to the kind of things that can be done," says Stern of Wells, Rich Green. "This campaign hasn't reached its end by any means."

Rob Howe

Rob Howe, currently a New York free lancer, was an editor at the Washington Star.

INDEX TO ADVERTISERS

Ad Checking Bureau	37
Arbitron	45
Architectural Digest	98
Atlantic	145
Austin Group	178
BAR	127
Barron's	82
Better Homes & Gardens	48a-b
Black Enterprises	55
Boston Globe	94
Boy's Life	137
Bozell & Jacobs	46-47
Business Week	57, 81
Chiat Day	83
Columbus Dispatch	110
Cosmopolitan	32
Country Living	13
Creamer	156
Diario Las Americas	74
Discover	143
ESPN	20
Essence	165
Evitone Soundsheets	96a-b
Family Circle	6-7
Forbes	76
Fortune	Cover 2
Gentlemen's Quarterly	Cover 4
Geo	16a-b
Glamour	160-161
Golf Digest	107
Hearst ABC Video	Cover 3
Houston Chronicle	187
Houston Post	179
IOA	131
ICD	188
Industry Week	103
KELO-TV	48
Knight-Ridder Newspapers	153
Knoxville Journal	176
LNA	119
Landmark Communications	86
Los Angeles Herald Examiner	148
Los Angeles Magazine	85
M&MD	73, 96, 117, 120-121, 171, 182, 195
Maturity Magazines	109
Media Records	115
Medical Economics	166
Metro Sunday Mag Net	25
Metropolitan Home	27
Motorland	63
Naples Daily News	164
National Geo	60-61
New York Times	5
New Yorker	93
Newspaper Co-op Advertising	39
Newsweek	19
Parade	2-3
People	14
Peoria Journal	162
Petersen Publ.	59
Playboy	28-29, 64-65, 146-147
RAB	75
Redbook	122
St. Petersburg	181
Self	17
Smithsonian	140-141
Southeast Michigan Newsp.	68
Southern Living	163
Sports Illustrated	184-185
Sporting News	66, 84
Success	105
Successful Farming	139
Tampa Tribune	180
Telmar/Marketing & Media Ed.	177
Time	41
Times Mirror	67
TV Guide	10-11
Us Magazine	31, 43, 50, 132, 172
U.S. News & World Report	91
Ventura	1
Vogue	30, 62, 108, 199
Ziff Davis Mag. Net.	95
Ziff Davis Outdoor Enthus.	9